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# ANNUAL REPORT 2005

PRINCE EDWARD ISLAND BUSINESS DEVELOPMENT INC.  
ATLANTIC TECHNOLOGY CENTRE  
FOOD TECHNOLOGY CENTRE  
TECHNOLOGY PEI



ATLANTIC  
TECHNOLOGY  
CENTRE



PRINCE EDWARD ISLAND  
FOOD TECHNOLOGY CENTRE  
CENTRE DE TECHNOLOGIE ALIMENTAIRE  
DE L'ÎLE-PRINCE-ÉDOUARD



## **MESSAGE FROM THE CEO**

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Honourable Michael F. Currie  
Minister of Development & Technology  
P.O. Box 2000  
Charlottetown, PEI  
C1A 7N8

Dear Minister,

I respectfully submit Prince Edward Island Business Development Inc.'s Annual Report for the fiscal year ending March 31, 2005.

Many significant changes occurred this past year including the realignment of two key agencies into one entity. Prince Edward Island Business Development Inc. and Technology PEI merged their divisions and services to allow for a one step approach to offering business programs and services across the Province.

PEI Business Development Inc., Technology PEI, the Food Technology Centre (FTC) and the Atlantic Technology Centre (ATC) all experienced many significant accomplishments this past year. New businesses were established, many existing companies expanded, lucrative contracts were signed in export markets, hundreds of new jobs were created and several new training opportunities were offered across the Province.

Our objective is to advance sound business development that encourages a positive economic climate for our Province. Our small size makes it easy for us to respond to economic opportunities. PEI offers key selling features such as low corporate taxes, a skilled labour force and competitive operating costs, which contribute to Prince Edward Island's development success in leading sectors including Aerospace, Manufacturing, BioScience, Food Processing, and Information Technology.

I would like to thank our employees for their passion and hard work in helping our clients to identify opportunities and to maximize Prince Edward Island's development potential in the business community.

Respectfully,

A handwritten signature in dark ink, appearing to read 'Allan Smith'.

Allan Smith  
Chief Executive Officer

# **BOARD OF DIRECTORS**

## **PEI Business Development Inc. Board of Directors**

Hon. Michael F. Currie, Vice-Chair  
Mike O'Brien, Deputy Minister & Chair  
Paul Jelley, Director  
Allan Smith, Secretary/Treasurer

Tom Deblois, Director (resigned 2005)  
Denis Gallant, Director  
James Johnston, Director

## **PEI Science & Technology Board of Directors**

Mike O'Brien, Deputy Minister & Chair  
Allan Smith, Secretary/Treasurer  
Alan Baker, Director  
Dr. Murray McLaughlin, Director  
Reagh Hicken, Director

Allen Stoolmiller, Director  
Paul Bernard, Director  
Shauna Sullivan Curley, Director  
David Riley, Director

## **PEI Atlantic Technology Centre Board of Directors**

Mike O'Brien, Deputy Minister & Chair  
Reagh Hicken, Treasurer  
Allan Smith, Secretary

**PRINCE EDWARD ISLAND  
BUSINESS DEVELOPMENT INC. &  
TECHNOLOGY PEI**





# CLIENT SERVICES DIVISION

**BRIAN KEEFE, DIRECTOR**

## Highlights

- 807 small business associates participated in 72 "Profit Learn PEI" training courses
- 13 companies were supported through the "Performance Plus Pilot Program" for productivity
- 400 projects were assisted under the small business support programs
- 250 participants received "Self Employment– Employment Benefit" assistance resulting in the development of 55 new business start-ups
- In-province expansions and start ups provided more than 350 new positions

The Client Services Division coordinates and delivers assistance to new and existing businesses in Prince Edward Island (PEI). Specifically, the group provides counselling, financial assistance, business guidance, entrepreneur education and management development to PEI businesses to assist with start -up, expansion and diversification that supports their long term viability.

The Division encourages business growth through cost shared financial assistance for capital acquisitions, market development, technology, training and innovation. The Client Services Division offers 15 different incentive programs targeted at a variety of industry sectors. Approximately 400 projects were directly assisted under the small business support programs during this fiscal year.

Small business counselling is our most significant service and is available in seven locations across PEI. Over the past year, counselling, information and mentoring sessions have been provided through regularly scheduled meetings for an estimated 3,000 clients, as well as countless other forms of client communications.

## CLIENT SERVICES DIVISION, CONTINUED

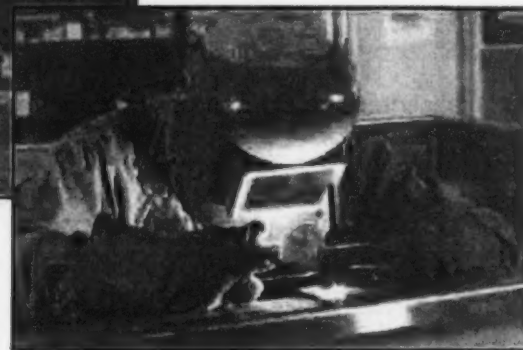
The Division provides development assistance to targeted sectors. Those sectors include; Food, Bioscience, Craft and Giftware, Trade and Information and Communications Technology. In addition, businesses in the Boat-building and Metal Fabrication sectors were profiled, inventoried and brought together to develop new opportunities.

A new tax program introduced this year has four individual tax rebates, which include:

- promoting the development of intellectual property and the production of innovative products and services for port to the world;
- assisting firms to increase productivity and competitiveness;
- encouraging Islanders to invest in Island companies;
- attracting new expertise to accelerate the Island's participation in emerging, global opportunities.

The Division delivers a "Self Employment – Employment Benefit" program under a contract with Human Resources Skills Development Canada. (HRSDC), which assists insurance eligible employment (EI) to explore the opportunities of becoming self-employed. Throughout 21 sessions, 250 participants received assistance resulting in the development of 90 project evaluations. Over the last year, 55 business participants were approved under the program and received support with development and implementation of their business plans.

Entrepreneurs require ongoing development of business management skills and tools that enable them to pursue trade and export opportunities, which will assist with their competitiveness both locally and globally.



# CORPORATE SERVICES

NEIL STEWART, DIRECTOR

## Highlights

- Participated in the delivery of the beef plant and primary industry processing projects
- Assisted with a food manufacturing company to relocate to rural PEI
- Portfolio consisted of 198 accounts with a total commitment of \$66 million
- Total investment in PEI businesses in this division was \$97 million

The Corporate Services Division manages the corporation's loan, loan guarantee and equity investment portfolios. In 2003, the Division assumed the role to manage Island Investment Development Inc. (IIDI), which invests federal immigrant funds, through low interest loans to Prince Edward Island (PEI) businesses, into projects of significant economic benefit to the Province.

In fiscal 2004-2005, the Division assumed management responsibility of the Entrepreneur Loan Program (ELP) and the Provincial Nominee Program. The ELP enabled this Division to expand its portfolio to include the micro term loan market, while the Provincial Nominee Program increased the Division's potential to provide increased equity investments to Island companies.

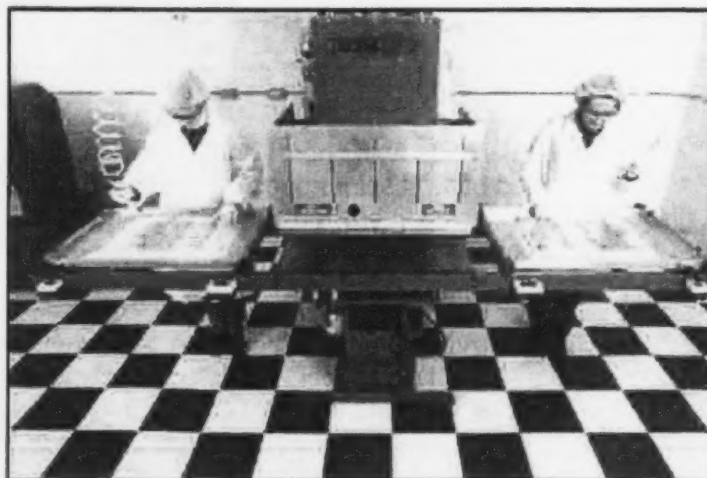
The Division provides financing, strategic investments, and loan guarantees in support of PEI businesses to create, maintain or expand business activity that will result in wealth and job creation for the Province. Lending and investment activities are focussed on manufacturers, processors and service providers in the Corporation's priority development sectors, with emphasis on businesses involved in exporting, import replacement and value-added processing.

## CORPORATE SERVICES DIVISION, CONTINUED

As a developmental lender, the Corporate Services Division accepts higher risk than conventional lenders. The Division utilizes a non-formula approach to lending to maximize development opportunities, while balancing financial risk with the economic return to the Province. The Division provides customized financial solutions, using a combination of financial instruments, including debt, equity, guarantees, and repayable contributions, to meet the client's specific financing needs.

By forming partnerships with conventional lenders and other business organizations, the Corporate Services Division can assist to leverage the amount of financing available for our clients. Also, as part of its non-conventional approach to lending, the Division can act as a mediator, assisting Island businesses to negotiate complete financial packages with other lenders and government agencies.

As of March 31, 2005, the Corporate Services Division portfolio consisted of 198 accounts with a total commitment of over \$66 million. Strong growth was experienced in term and demand loans, which grew by nearly \$10 million or 34% over the previous fiscal period. The IIDI term loan portfolio had a total commitment of \$31 million, bringing the Division's total investment in PEI businesses to \$97 million.



# MARKETING DIVISION

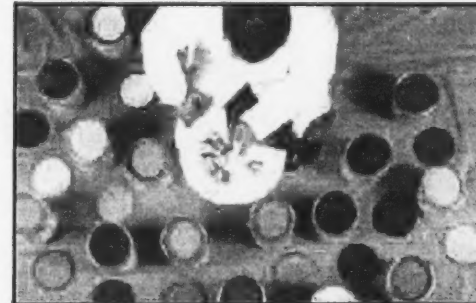
BRAD MIX, DIRECTOR

## Highlights

- 12 new product concepts were introduced
- Four products were launched into the United States (US) for two PEI companies
- The Division assisted in penetrating markets for three wood manufacturers
- 15 seafood processors were introduced to US based buyers
- 14 Island small businesses were provided marketing support

The Marketing Division provides marketing support to Prince Edward Island business and to all other divisions within Prince Edward Island Business Development (PEIBD) and Technology PEI. The Division successfully executed a broad range of initiatives over the past year ranging from providing marketing direction for small business to the development of new products for PEI companies.

In conjunction with the Culinary Institute of Canada and the PEI Food Technology Centre, the Marketing Division has been the catalyst for PEI food processors to develop value added food products for retail sales distribution. This initiative has generated product listings in Costco United States (US) for value added seafood products, and has also developed products using potato granules, pork, and soy beans. Development of value added food products will utilize extra capacity in existing processing facilities, increase the demand and value of commodity products and provide new distribution channels.





## MARKETING DIVISION, CONTINUED

Several initiatives were undertaken in 2004-2005 to expand the market presence of PEI food products in new markets including:

- During the PEI International Shellfish Festival, incoming buyers from the Mid-West US, France, and the Netherlands attended. This initiative provided 10 PEI seafood processors an opportunity to enter into the resort, casino, and cruise ship market.
- PEIBDI coordinated the provincial booth presence for the Boston Seafood Show where five PEI based processors exhibited and 12 PEI processors attended.
- Prince Edward Island Business Development Inc. coordinated the provincial booth presence for the Canadian Food and Beverage Show where four PEI processors exhibited.

This Division has provided marketing counselling support to 14 Island small businesses in the areas of market planning, promotional tool development, sales distribution contacts, and new product development. This counselling support has lead to increased sales through new market penetration.

The Marketing Division has also been responsible for increasing the awareness of PEI as an investment location. Through an investment promotion group made up of all three levels of government called InvestPEI, several initiatives were undertaken including a new aerospace brochure, revised investment web site, and revised CD Rom.

In addition, the Division coordinated several promotional events and undertook strategic advertising to increase the awareness of PEIBDI and Technology PEI in the Provincial business community.

# COMMUNITY & PRIMARY INDUSTRIES DIVISION

GRANT SWEET, DIRECTOR

## Highlights

- 303 participants in the Seniors Net Program
- 10 youth training programs supported through the Division's Youth Of Digital Age (YODA) Program.
- Rural Broadband project supporting five regions covering 60% of PEI
- 97 positions created to support the Community Access Program (CAP)
- 41 PEI CAP Sites with over 200,000 annual visits

The Community and Primary Industries Division coordinates and delivers programs and services to assist individuals, businesses, and non-profit groups to explore careers in Prince Edward Island. This Division's main responsibility is to engage youth in the pursuit of entrepreneurial skills leading to the next generation of PEI's business leaders. Our clients include youth under the age of 30, small business, community groups and those associated with education and training in workforce development.

Additional services provided to clients include consultation and counselling, access to skill development, program creation/delivery, and in some cases mentorship. The Division provides a large majority of our counselling services in the communities requested by the client.

Divisional priorities such as new business creation, economic development and overall wealth creation are aligned with programs supported by the Division. Assistance provided is not only one of a financial form, but also one that plays an active role in community boards and committees, program delivery and leadership on required infrastructure.

The Division has an active seat on the Junior Achievement Provincial Board as well as membership on the Programs Committee. Of particular focus has been and will continue to be the significant expansion of entrepreneurial programs into the K-12 learning environment.

## COMMUNITY & PRIMARY INDUSTRIES DIVISION, CONTINUED

The Division continues to have strong relations with Industry Canada with our co-delivery of the Community Access Program (CAP), which in PEI boast 41 sites and over 200,000 annual visits.

The Federal CAP program is going under review in 2005-06. PEI is viewed as a role model, which focuses mainly on community development, job creation, and workplace experience for youth. In addition, the Division works with Industry Canada on major infrastructure initiatives such as Broadband for Rural And Northern Development (BRAND).

Through a Human Resource and Skill Development Canada's (HRSDC) youth initiative, the Division co-delivered a program to give youth between the ages of 15 and 30 valuable work experience in the IT sector. Sixty-one positions were created in 2004-2005 to make a total of just under 500 since the inception of this partnership.

Regional Technology Centres, established in Cardigan, Kensington and O'Leary, are regional centres that provide local business and the general public access to the latest information and communications technologies. In addition to rental space, smart boardrooms and broadband connectivity, the centres offer training in full size computer labs which are heavily utilized by sector groups in agriculture and tourism.



# TRADE & EXPORT DIVISION

STEPHEN MURRAY, DIRECTOR

## Highlights

- Seven trade missions executed
- 45 companies participated on these missions
- Mission participants received \$11.5 million in increased revenues as a direct result of these missions
- Over the last five years, PEI exports have increased by over 90%

The Trade & Export Development Division of Prince Edward Island Development Inc. (PEIBDI) works to increase the revenues generated from export sales and to assist Prince Edward Island (PEI) companies become exporters. The Division provides training, support for market entry activities and is a source for market specific information.

The Division actively participates in Trade Team PEI, a network of provincial and federal departments and agencies with responsibilities for trade development. The Division also represents the Province on the management committees for regional agreements such as the International Business Development Agreement (IBDA) and the Atlantic Canada Food Export Partnership.

The Division worked with over 150 companies on projects ranging from individualized training on export security to, competitive intelligence to market entry.

The Division leads a number of trade missions each year. These missions provide a cost effective method for companies to gather information on logistics and competition. They also provide participants with face-to-face meetings with prescreened prospective partners in the target areas.

In this fiscal year, delegates have travelled as part of a PEI trade mission to Asia, Chile, Eastern Caribbean, New England, and the United States. In addition, PEI trade missions to domestic markets included events in Toronto, Ontario and Calgary and Edmonton, Alberta.

# SCIENCE & INNOVATION DIVISION

GAILENE MURPHY, DIRECTOR

## Highlights

- Innaugural year for the Science and Innovation Division and investment funding for research and development
- Coordination of the National Research Council (NRC) and Technology Partnership Canada (TPC) initiatives for the Province
- Delivered six networking sessions through the new bioscience networking series and two training sessions for industry stakeholders

Innovation thrives when supported by sound research and development (R&D). As the Province fosters a R&D cluster, the Government of Prince Edward Island (PEI) is committed to supporting R&D growth that will contribute to a stronger economy and job creation.

PEI's knowledge based economy is continuously advancing. R&D is an important component in cultivating PEI as a leading edge province. With a notable R&D community already well established, PEI can further build on this industry and position itself as the cornerstone of research development in Canada.

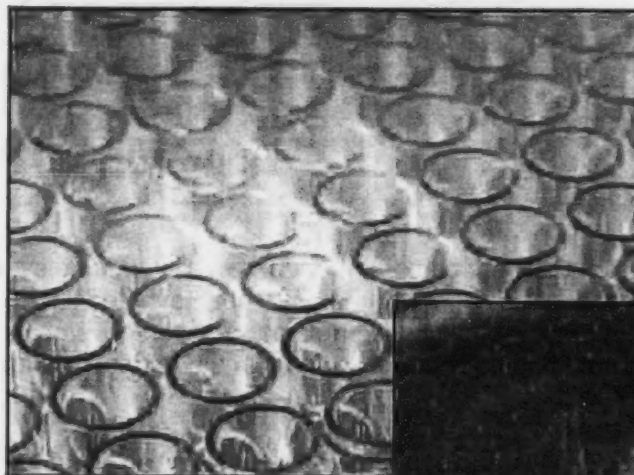
The new Science and Innovation (S&I) Division has been designed to increase research capacity and transform innovative ideas into commercially viable products and services. This Division works with research institutions, commercial entities, private sector businesses and government partners around investments in the R&D capacity in PEI. The Division provides information and knowledge of R&D activities and works cooperatively with local agencies to offer multi-sector businesses and organizations related services and/or guidance.



## SCIENCE & INNOVATION DIVISION, CONTINUED

This commitment to research and development will be complemented by the R&D Initiative Fund. A call for submissions for preliminary proposals will be advertised once per year. Preference will be given to proposals that commercialize new technologies, develop new products and services for export to worldwide markets, create new jobs and wealth in PEI, revitalize and help build our communities and strengthen the overall PEI economy.

This new initiative is designed to support all levels of research and development in PEI and will consist of an Institutional Research Fund, a Human Resources Research Fund, a Product Development Fund and a Technical Development Fund.



# BUSINESS INVESTMENT DIVISION

BRAD MIX, ACTING DIRECTOR


## Highlights

- Supported four development projects within the bioscience sector
- Six investments by companies providing more than 240 new employment opportunities
- The Division carried out more than 40 company executive presentations on the advantages of doing business in the Province
- The Division hosted 15 incoming company tours into Prince Edward Island
- Target companies are in the aerospace, food, bioscience, manufacturing and information communication technology industries

The Business Investment Division attracts inward investment to establish business operations in Prince Edward Island.

This fiscal year, the Division established defined goals in generating business leads, attracting new investment, and creating employment opportunities in the sectors of Aerospace, Food Processing, Bioscience, Manufacturing, and Information Technology. Each of the priority sectors in PEI have core competencies that provide competitive advantages and clear focus areas.

The Business Investment division promotes Prince Edward Island through the InvestPEI partnership, all three levels of government work together to attract foreign investment to the Province. InvestPEI is an initiative designed to create awareness of PEI as an ideal business location through targeted investor meetings, a consolidated Web site, networking events and coordinated marketing materials. Building upon a solid foundation of existing international partnerships, Invest PEI representatives travelled to Italy's Lombardy region to attract additional investment in PEI.



## **BUSINESS INVESTMENT, CONTINUED**

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In addition, in the aerospace sector, the Division participated with the Atlantic Canada Opportunities Agency (ACOA) and industry partners in the creation of Aerospace Prince Edward Island. This new industry association has developed several initiatives including an advertising campaign for employment opportunities within the industry.

The Business Investment Division has been very aggressive in undertaking outside investment calls and incoming business tours of Prince Edward Island. Between December 2004 and March 2005, the Division hosted 15 incoming company tours into Prince Edward Island.

# ASSET MANAGEMENT DIVISION

**DOUG MACNEIL, DIRECTOR**

The Asset Management Division administers and develops real property investment assets owned by Prince Edward Island Business Development Inc. (PEIBDI). In addition, the Division provides a technical service to the Ministry of Development and Technology including the expansion of the Food Technology Centre and construction of the Atlantic Technology Centre.

The property portfolio includes mature business parks at West Royalty, Summerside, Bloomfield, Pooles Corner, Gateway Village and the Souris Food Park.

Gateway Village Development Inc. (GVDI) plays the roles of developer, landlord and retailer. Private businesses have invested in Gateway Village and include: Boat House, Cavendish Figurines Ltd., Cows, Gateway Petroleum, The Prince Edward Island Emporium, and Subway.

GVDI owns and operates Gateway Centre, a 20,000 square foot complex, plus the Shops of Gateway, a 10,000 square foot shopping mall. These complexes offer space for a museum, exhibits, visitor information, retail and administrative offices.

Excluding privately owned properties, GVDI is responsible for all ground maintenance (summer and winter), street lights, park maintenance, building maintenance, and cleaning on a year-round basis.

GVDI owns and operates *The Official Island Store*™, a 1500 square foot retail store, which operates seasonally. GVDI is responsible for all aspects of this operation including staffing, product purchases and development.

Environmental Industrial Services Inc. (EISI) owns and operates water and/or wastewater utilities at Bloomfield, Alberton, Northport, Albany, Georgetown, Crowbush Resort and Brudenell Resort.

## ASSET MANAGEMENT DIVISION, CONTINUED

EISI also owns wastewater treatment plants at Agrawest, Souris; McCain's, Borden-Carleton; Cavendish, New Annan; Humpty Dumpty, Slemon Park. These private sector companies operate and maintain these treatment plants at their own cost.

Assorted professional technical services are provided to the Ministry including; cost estimation and review, assistance in preparation of applications to government departments, assistance in obtaining quotations from consultants and contractors, general project management, review of reports and proposals, coordination with other government departments, and troubleshooting.





# FOOD TECHNOLOGY CENTRE



PRINCE EDWARD ISLAND  
FOOD TECHNOLOGY CENTRE  
CENTRE DE TECHNOLOGIE ALIMENTAIRE  
DE L'ÎLE-DU-PRINCE-ÉDOUARD

# FOOD TECHNOLOGY CENTRE

JIM SMITH, EXECUTIVE DIRECTOR

## Highlights

- Approval of the Atlantic Innovation Fund (AIF) to assist with the development of the bio-extraction project
- Hired new specialized staff to implement AIF project
- 200 food related projects and services contracts carried out during last year
- Expanded the FTC by 5,500 square feet and added two new natural products extraction units
- Achieved ISO 9001:2000 registration

The Prince Edward Island Food Technology Centre (FTC) is unique in Atlantic Canada. FTC has a federally registered pilot plant that can manufacture any type of food product to the highest standards. It has federally accredited laboratories that provide guaranteed analysis results. FTC also has International Quality Management with ISO 9001.

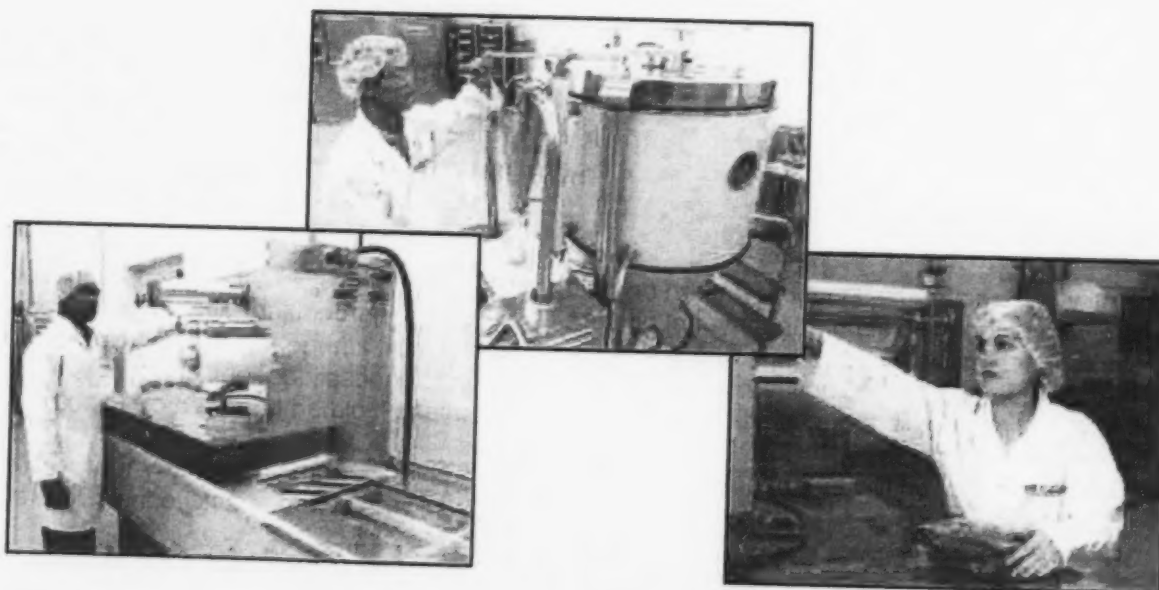
A staff of more than 30 includes food technologists, engineers, natural products chemists and microbiologists as well as support staff. FTC provides product development, analysis, food technology development, nutraceutical and functional food development, industrial technology development and troubleshooting. FTC works with food processors and bioprocessors on a confidential contract basis.

During the last year, the Centre's staff delivered 59 projects and 139 service contracts to companies in PEI, the Atlantic region and beyond. The Centre works on a cost recovery basis and focuses on economic development in Prince Edward Island.

## FOOD TECHNOLOGY CENTRE, CONTINUED

One project of particular interest is the work FTC is doing on natural products extraction. FTC with support from the Atlantic Canada Opportunities Agency's (ACOA) Atlantic Innovation Fund is developing new methods of extraction for high value components from bioresources from the land and sea. Platform technologies include supercritical carbon dioxide, applications of green refrigerants as extraction solvents and ultrasound. Products include paclitaxel from ground hemlock, asthaxanthin from lobster shells and antioxidants from plants.

Over the next four years new products and processes will be developed that will be incorporated by companies within the BioScience Cluster that is growing in Prince Edward Island.



# ATLANTIC TECHNOLOGY CENTRE



ATLANTIC  
TECHNOLOGY  
CENTRE

# ATLANTIC TECHNOLOGY CENTRE

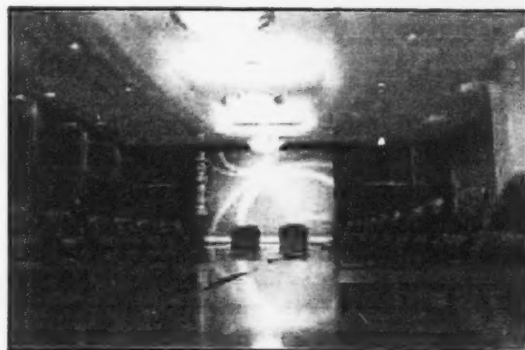
PHIL MUISE, GENERAL MANAGER

## Highlights

- Leased space at 86 per cent
- Lobby café opened
- 300 people employed at more than 21 different companies
- An internet based multimedia company set up shop in the facility
- Host to local, regional and international conferences, interviews and trade sessions

Atlantic Technology Centre (ATC) is equipped with the latest conveniences and technologies necessary for full connectivity for prosperous businesses. This leading-edge infrastructure provides technology companies with smart office space, meeting and conference areas, and advanced media production facilities all under one roof.

During the 2004-05 year, the ATC was 86 per cent occupied with an on-site corporate office which acts as landlord to over 20 various companies with more than 300 people employed within the building. Companies located in ATC reflect industry representation in production, e-learning, health services, gaming, animation, interactive content development, advanced technical training, post production, video gaming, and computer programming.





## ATLANTIC TECHNOLOGY CENTRE, CONTINUED

The sound stage, located at ATC, has played host to local and national news conferences. In addition, the video conferencing services located in ATC have added new business components to the Corporation's daily activities. The video conferencing services allowed for such activities as virtual trade missions, job interviews, training sessions and conferences.

With ATC's advanced infrastructure, training providers are able to offer simultaneous computer training classes from ATC. The facility has the ability to set-up and network various labs in alternate meeting rooms throughout the facility.

### **ATC offers:**

- Training Lab
- Conference Suite
- Community Access Program
- Meeting Rooms
- InterACTIVE Theatre
- Data Centre
- Sound Stage
- Video Conferencing
- Post Production
- Web Casting
- Corporate Office Space
- Café



ATC Corporation works with tenants to coordinate facility events and/or meetings. The coordinator of client services works with the client through all the stages of the booking and offers services in event consulting, facility recommendation, food service, event set-up, technical services and other related activities.

The Corporation also provides onsite security with twenty-four hour video surveillance. In addition, staff monitors the ATC Service Desk e-mail system, advice on IT matters, onsite facility maintenance, and general manager services.

**TENANT LISTING  
AS OF THE END OF MARCH 31, 2005**

- |  |                                |
|--|--------------------------------|
| 1) Atlantic Blue Cross Care                        | 14) National Research Council  |
| 2) ATC Corp.                                       | 15) Options Research Marketing |
| 3) Business Technology Consulting                  | 16) Primex                     |
| 4) Castaways                                       | 17) Progress Inc.              |
| 5) Cellar Door Productions                         | 18) Provinent                  |
| 6) CHIP Hospitality - (Best Western Charlottetown) | 19) Power Post Productions     |
| 7) Deltaware Systems                               | 20) Trapeze Media              |
| 8) EDS   | 21) Veterans Affairs Canada    |
| 9) Fonlan Atlantic Inc.                            | 22) Vision Quest               |
| 10) Grr Spam                                       | 23) Virtual Charlottetown      |
| 11) ITAP   | 24) Xwave                      |
| 12) Justice Knowledge Institute                    |                                |
| 13) Lotusmedia                                     |                                |



# YEAR IN REVIEW



ATLANTIC  
TECHNOLOGY  
CENTRE



PRINCE EDWARD ISLAND  
FOOD TECHNOLOGY CENTRE  
CENTRE DE TECHNOLOGIE ALIMENTAIRE  
DE L'ÎLE DU PRINCE-ÉDOUARD

## YEAR IN REVIEW

**MDS-PRAD Technologies Corporation**, a research and development, engineering and production company, has exceeded employment expectations and announced plans to expand. The aerospace company opened less than a year ago, with plans to employ 42 people. The company now employs 59 people and will expand to accommodate growing demand for its services.

**Trout River Industries Inc.**, a manufacturer of "Live Bottom" self-unloading bulk highway trailers, was assisted with financing to buildup their trailer inventory during a low production period. As a result, the company maintained its skilled workforce of 17 employees and substantially grew its export sales to customers in Atlantic Canada, Ontario, Quebec, and Australia.

**Trade Team PEI** announced six Island companies and organizations participated in a seven day mission to Ireland. The mission was building on the progress achieved during two previous trade missions to Ireland which resulted in projected sales of more than \$16 million.

The **Food Technology Centre** received a prestigious international award from the American Association of Cereal Chemists (AACC). FTC was the most accurate of all the laboratories in the world participating in the AACC check sample program for fat, fatty acids and cholesterol.

**Atlantic Technology Centre** reached 86 per cent occupancy rate with more than 300 people employed at over 20 different companies now established within the facility.

PEI seafood processors returned from the largest seafood event in North America - **The International Boston Seafood Show**. Eleven Island companies participated in this three-day trade show which attracts buyers from over 80 countries.

## YEAR IN REVIEW- CONTINUED

Since 1999, there have been nine **Team Canada Atlantic** trade missions to the United States helping to generate \$20 million in short-term sales and more than \$115 million in long-term sales across Atlantic Canada.

**Atlantic Prepared Foods Limited**, a successful food manufacturing company with 18 years of experience in the sub and sandwich industry, was assisted with financing to construct a federally inspected plant in West Prince. This enabled the company to expand its production capacity, develop new product lines, and further increase its market share in Atlantic Canada. The new plant will initially employ 25 full-time positions.

All five **BRAND** projects have been awarded with project values in excess of \$5,000,000. The projects are offering high speed access to all residents in Prince County, all residents in the northern half of Queens County West of North Rustico and in the Northern Coastal area of Kings County from Mount Stewart to St. Peter's Bay.

Four new tax measures designed to stimulate investment and business growth in the province were announced in PEI Legislature. **The Progressive Tax Rebate Program** provides tax incentives to companies and individuals who invest in innovation, growth and development of targeted sectors across the province.

**Snair's Golden Grain Bakery**, a producer of commercial baked goods, announced the opening of a new facility in Prince Edward Island. The bakery produces products for existing commercial clients in the Maritimes and hopes to further expand its client base. The company will also produce rolls and bread for **Atlantic Prepared Foods**, which will be operating in Bloomfield in the near future.

Three organizations involved in the development of new food products announced a new partnership. **The PEI Food Technology Centre, Holland College's Culinary Institute of Canada and PEI Business Development** joined forces to develop value-added food products using PEI ingredients.



## YEAR IN REVIEW- CONTINUED

PEI manufacturers of processing equipment for the aquaculture industry continue to develop the **Chilean** market. Annual sales exceed \$1 million. Areas of focus have expanded to include the wine industry and institutional research equipment.

**Rogers Wireless** and the Province of Prince Edward Island announced that Rogers Wireless will enhance wireless service across the Island, making it easier for residents, tourists and business travelers to stay in touch with the people and information that matter most to them wherever they travel.

In conjunction with Export Development Canada, The Agency provided export project financing to facilitate **Atlantech Engineering & Associates Inc.** to fulfill its first major contract in South America. The successful delivery of this \$800,000 project has established the company's presence in South America and has favorably positioned the Company for a \$3 million contract.

Three PEI companies participated in a **European Seafood Show** in Brussels, Belgium. The exhibition gave Island companies a chance to meet international top-level decision makers in imports/exports.

PEI has developed a **tracking software** to give accurate data on the type of usage at cap sites. PEI is the only province that has a tracking device which has led to the development of a new proposal to service all sites in Canada.

The **Young Entrepreneur's Forum** was launched to enhance summer students' entrepreneurial skills. Weekly sessions consisted of 12 young, aspiring entrepreneurs and local business leaders to discuss real-life business experiences.

Domestic missions were organized to develop companies into international exporters. Missions to **Toronto, Ontario and Calgary and Edmonton, Alberta**, proved to be very successful.

## YEAR IN REVIEW- CONTINUED

**Tronos Canada Inc.**, a new to PEI aerospace company, announced the establishment of their operations in Slemon Park, PEI. The parent company of a London-based aircraft leasing company, Tronos owns and or manages a number of BAe146 aircraft.

PEI Business Development in conjunction with the Charlottetown and Summerside Superstores featured a special **PEI product display from 13 PEI food and beverage processors**. This is a great way to promote PEI product to Islanders and visitors to our province.

Prince Edward Island Participants visited **Thailand, Vietnam and China** to gauge market potential for biotech and educational services.

**Atlantic Technology Centre** signed a lease agreement with CHIP Hospitality and Best Western to open "Bo's To Go" in the Atlantic Technology Centre. The onsite Café is located on the ground floor of the facility.

The PEI Food Technology Centre achieved **ISO 9001:2000 registration** for all of its services. It has earned Standards Council of Canada accreditation for its laboratory services.

During the **PEI International Shellfish Festival**, incoming buyers from the Mid-West US, France, and the Netherlands attended. This initiative provided 10 PEI seafood processors an opportunity to enter into the resort, casino, and cruise ship market.

**Technology PEI**, in partnership with KenNet Inc, invited Island youth groups to become involved in the **Between Generations Program**. Funding was provided to eight groups for the purposes of equipment purchases, staffing or other expenditures necessary to complete the project.

Eight PEI companies ranging from processed food to building products expanded their markets in **Barbados** and other islands of the **Eastern Caribbean**.

## YEAR IN REVIEW- CONTINUED

The **Science and Innovation** division, in its first inaugural year, announced a \$500,000 budget which is targeting \$7 million in investment in Research and Development in Prince Edward Island.

The "**Quality Improvement**" and "**Performance Plus**" have assisted more than 20 companies with the improvement of productivity, profitability, and efficiency.

A company that creates text messaging based marketing campaigns and electronic games set up shop in the Charlottetown Atlantic Technology Centre (ATC). **Magnet Games Marketing Inc.** and its spin off, **Magnet Mobile Media**, designs leading edge content that can be incorporated into games, entertainment and promotional advertising to be delivered through the wireless communication industry and online media.

Through the **PEI Community Access Program (CAP)**, 97 positions were created. The PEI CAP sites reported more than 200,000 visitors during this fiscal year.

The **Fifth Annual Buyer's Market** attracted buyers from across Atlantic Canada and into the New England states. The 2005 event featured more than 60 exhibitors and 150 buyers.

Building upon a solid foundation of existing international partnerships, Invest PEI representatives travelled to **Italy's Lombardy region** to attract additional investment in PEI.

The Food Technology Centre **expanded 5,500 square feet** and added two research and development units to accommodate the Atlantic Products Development Initiative.

**Rogers Wireless** and **Ericsson Canada** announced that the two companies would make a \$500,000 contribution to the Province's **Technology Development Fund**, earmarked for wireless research and development in PEI. This contribution was matched by the Province of PEI.

Through **Profit Learn PEI**, the Client Services Division expanded its small business training courses to 72 offerings across PEI attracting 807 small business participants.

## YEAR IN REVIEW- CONTINUED

The province's first ever **Virtual Trade Mission** took place at the **Atlantic Technology Centre**. PEI companies interested in exporting to Mexico had a chance to investigate the potential business opportunities in this market from the comforts of home.

A new **PEI Craft, Art and Giftware Directory** was produced to encourage people to experience this vibrant industry by visiting local, talented artisans. Over 150 studios, galleries, producers, shops, restaurants, guilds and organizations participated in this year's directory.

A \$45,000 contribution (\$10,000 from PEI Business Development) provided 30 small to medium-sized companies to take part in the **Jump Start Your Business** process developed by Doug Hall, founder and Chairman of the famous "Eureka! Ranch" based in Cincinnati, Ohio.

**Lotusmedia.ca**, an internet based multimedia company, opened on the second floor of the Atlantic Technology Centre.

## BILAN DE L'ANNÉE

**MDS-PRAD Technologies Corporation**, une entreprise de recherche et développement, d'ingénierie et de production, a dépassé les attentes en matière d'emploi et a annoncé des plans d'expansion. L'entreprise aérospatiale qui a ouvert ses portes il y a moins d'un an planifiait employer 42 personnes. L'entreprise emploie actuellement 59 personnes et elle continue son expansion afin d'accommoder la demande croissante pour ses services.

**Trout River Industries Inc.**, fabricant des remorques routières « à fond mobile » autodéchargeuses, a reçu un financement afin d'accroître son inventaire de remorques lors d'une période de production faible. Par conséquent, l'entreprise a maintenu sa main-d'œuvre qualifiée de 17 employés et a haussé de façon substantielle ses ventes à l'exportation dans le Canada Atlantique, en Ontario, au Québec et en Australie.

**Trade Team PEI** a annoncé que six entreprises et organismes insulaires ont participé à une mission de sept jours en Irlande. La mission prenait appui sur le succès atteint lors de deux missions commerciales antérieures en Irlande qui avaient menées à des ventes projetées de plus de 16 millions de dollars.

**Le Centre de technologie alimentaire** a reçu un prix international prestigieux de l'American Association of Cereal Chemists (AACC). Le centre a obtenu les résultats les plus précis de tous les laboratoires du monde qui participaient au programme de vérification d'échantillons de l'AACC en matière de contenu de gras, d'acides gras et de cholestérol.

**Le Centre de technologie de l'Atlantique** a atteint un taux d'occupation de 86 % avec plus de 300 employés qui travaillent pour plus de 20 entreprises différentes maintenant établies dans le centre.



## BILAN DE L'ANNÉE

Les représentants de l'industrie de transformation des fruits de mer de l'Î.-P.-É. sont revenus de la plus grande exposition de fruits de mer en Amérique du Nord - **The International Boston Seafood Show**. Onze entreprises de l'Île ont participé à l'exposition commerciale de trois jours qui attire plus de 80 pays.

Depuis 1999, **Team Canada Atlantic** a participé à neuf missions commerciales aux États-Unis, contribuant à générer 20 millions de dollars en ventes à court terme et plus de 115 millions de dollars en ventes en long terme dans l'ensemble du Canada atlantique.

**Atlantic Prepared Foods Limited**, un fabricant de produits alimentaires prospère qui a 18 ans d'expérience dans l'industrie des sandwichs et des sous-marins a reçu un financement afin de pouvoir construire un établissement inspecté par le gouvernement fédéral à Prince-Ouest. La nouvelle usine a permis à l'entreprise d'accroître sa capacité de production, de concevoir de nouvelles gammes de produits et d'accroître sa part de marché dans le Canada atlantique. Au départ, la nouvelle usine a 25 postes à temps plein.

La valeur de projet accordée aux cinq projets **BRAND** est de plus de 5 millions de dollars. Les projets offrent l'accès à l'internet haute vitesse à tous les résidants du comté de Prince, à tous les résidants de la moitié nord du comté de Queens, à l'ouest de North Rustico, et dans la région côtière nord du comté de Kings, de Mount Stewart à St. Peter's Bay.

L'Assemblée législative de l'Î.-P.-É. a annoncé quatre nouvelles mesures fiscales ayant pour objet de stimuler la croissance des investissements et des affaires dans la province. Le **Programme de remise de l'impôt progressif** offre un incitatif fiscal aux entreprises et aux personnes qui investissent dans l'innovation, la croissance et le développement de secteurs ciblés dans l'ensemble de la province.

## BILAN DE L'ANNÉE

**Snair's Golden Grain Bakery**, un fabricant commercial de produits de boulangerie, a annoncé l'ouverture d'un nouvel établissement à l'Île-du-Prince-Édouard. La boulangerie fabrique des produits pour des clients commerciaux actuels dans les Maritimes et espère voir une expansion de sa clientèle. L'entreprise produira également des petits pains et du pain pour l'entreprise **Atlantic Prepared Foods**, qui exploitera bientôt ses opérations à Bloomfield.

Trois organismes qui participent à la conception de nouveaux produits alimentaires ont annoncé un nouveau partenariat. **Le Centre de technologie alimentaire, l'Institut culinaire du Canada de Holland College et l'Expansion des affaires de l'Î.-P.-É.** se sont unis afin de créer des produits alimentaires à valeur ajoutée en utilisant des ingrédients provenant de l'Î.-P.-É.

Les fabricants d'équipement de transformation pour l'industrie de l'aquaculture de l'Î.-P.-É. continuent de développer le marché **chilien**. Les ventes annuelles dépassent 1 million de dollars. Ils ont élargi leur domaine cible afin d'inclure l'industrie du vin et l'équipement de recherche institutionnel.

**Rogers Wireless** et la province de l'Île-du-Prince-Édouard ont annoncé que Rogers Wireless améliorera le service sans fil dans l'ensemble de la province, facilitant la communication pour les résidents, les touristes et les voyageurs d'affaires, leur permettant d'obtenir les renseignements dont ils ont besoin peu importe où ils voyagent.

Conjointement avec Exportation et développement Canada, l'Agence de développement de l'emploi a offert un financement de projet d'exportation afin de permettre à **Atlantech Engineering & Associates Inc.** d'exécuter son premier contrat important en Amérique du Sud. La prestation réussie du projet d'une valeur de 800 000 \$ a établi la présence de l'entreprise en Amérique du Sud et a placé l'entreprise en position favorable pour un contrat de 3 millions de dollars.

## BILAN DE L'ANNÉE

Trois entreprises de l'Î.-P.-É. ont participé à une **Exposition de fruits de mer européenne** à Bruxelles en Belgique. L'exposition a donné la chance aux entreprises de l'Île de rencontrer des décideurs internationaux dans les domaines de l'importation et de l'exportation.

L'Î.-P.-É. a conçu un **logiciel de suivi** afin d'avoir des données exactes sur le type d'usage fait aux sites du PAC. L'Î.-P.-É. est la seule province qui utilise un dispositif de suivi, ce qui a mené à la conception d'une nouvelle proposition visant à offrir ses services à tous les sites au Canada.

Le **forum des Jeunes Entrepreneurs** a été lancé afin d'améliorer les aptitudes entrepreneuriales des étudiants d'été. Les séances hebdomadaires se composaient de 12 jeunes entrepreneurs potentiels et de dirigeants d'affaires locaux qui discutaient d'expériences d'affaire de la vraie vie.

Des missions intérieures ont été organisées pour donner la possibilité à des entreprises de devenir des exportateurs internationaux. Les missions à **Toronto en Ontario** et à **Calgary et Edmonton en Alberta** furent un succès.

**Tronos Canada Inc.**, une nouvelle entreprise aérospatiale à l'Î.-P.-É., a annoncé la mise en œuvre de ses opérations à Slemon Park à l'Île-du-Prince-Édouard. Tronos, la société mère de location sans équipage établie à Londres, possède et gère un nombre d'avions BAe146.

L'Expansion des affaires de l'Î.-P.-É., en conjonction avec les Superstores de Charlottetown et Summerside, a mis en vedette une **présentation intégrée provenant de 13 industries de transformation des aliments et des boissons de l'Î.-P.-É.** La présentation est une excellente façon de promouvoir les produits de l'Î.-P.-É. auprès des Insulaires et des visiteurs.

## BILAN DE L'ANNÉE

Des participants de l'Île-du-Prince-Édouard ont visité la **Thaïlande, le Vietnam et la Chine** afin d'évaluer le potentiel du marché en matière de services biotechniques et éducatifs.

**Le Centre de technologie de l'Atlantique** a signé un contrat de location avec CHIP ospitality et le Best Western afin d'ouvrir un café nommé « Bo's To Go » dans le Centre de technologie de l'Atlantique. Le café est situé au rez-de-chaussée de l'établissement.

**Le Centre de technologie alimentaire de l'Î.-P.-É.** a obtenu la certification ISO 9001 : 2000 pour tous ses services. Le Centre a reçu l'agrément du Conseil canadien des normes pour ses services de laboratoire.

Des acheteurs étrangers provenant des États du Midwest, de la France et des Pays-Bas ont assisté au **Festival International des fruits de mer de l'Î.-P.-É.** L'initiative a donné la chance à 10 entreprises de transformation des fruits de mer de l'Î.-P.-É. de pénétrer le marché des centres de villégiature, des casinos et des paquebots de croisière.

**Technologie Î.-P.-É.**, en partenariat avec KenNet Inc, a invité des groupes de jeunes de l'Île à participer au programme **Between Generations**. Ils ont offert un financement à huit groupes afin de pouvoir payer le coût de l'achat d'équipement, du personnel et d'autres dépenses essentielles à l'achèvement du projet.

Huit entreprises de l'Î.-P.-É. allant des produits transformés aux produits de construction ont agrandi leur marché pour inclure la **Barbade** et d'autres îles des **Caraïbes orientales**.

La division **Sciences et Innovation**, dans son année inaugurale, a annoncé un budget de 500 000 \$ qui vise à obtenir 7 millions de dollars en investissements dans le domaine de la recherche et du développement à l'Île-du-Prince-Édouard.

## BILAN DE L'ANNÉE

Les programmes « **Quality Improvement** » et « **Performance Plus** » ont aidé plus de 20 entreprises à améliorer leur productivité, leur rentabilité et leur rendement.

Une entreprise qui crée des campagnes de marketing axées sur la messagerie textuelle et les jeux électroniques vient de s'établir au Centre de technologie de l'Atlantique (ATC) à Charlottetown. **Magnet Games Marketing Inc** et son entreprise dérivée, **Magnet Mobile Media**, conçoit du contenu avant-garde qui peut être incorporé à des jeux, des publicités divertissantes et promotionnelles qui sont livrées par biais de l'industrie de la communication sans fil et par les médias en ligne.

Le **Programme d'accès communautaire (PAC)** de l'Î.-P.-É. a permis de créer 97 postes. Lors de la présente année financière, les sites PAC de l'Î.-P.-É. ont reçu plus de 200 000 visiteurs.

Le cinquième **Marché annuel des acheteurs** a attiré des acheteurs de l'ensemble des provinces atlantiques et de certains États de la Nouvelle-Angleterre. L'exposition de 2005 figurait plus de 60 exposants et 150 acheteurs.

En s'appuyant sur la fondation solide de partenariats internationaux actuels, des représentants d'Invest PEI se sont rendus dans **la région de la Lombardie en Italie** afin d'attirer des investissements à l'Î.-P.-É.

Le Centre de technologie alimentaire de l'Île-du-Prince-Édouard prend de l'expansion avec la **construction d'une aire de 5 500 pieds carrés** qui logera deux unités de recherche et développement pour l'Initiative de développement de produits de l'Atlantique.

**Rogers Wireless** et **Ericsson Canada** ont annoncé que les deux entreprises cotiseront 500 000 \$ au **Fonds de développement de la technologie sans fil** de la province, fonds qui sera affecté à la recherche et au développement de la technologie sans fil. La province de l'Î.-P.-É. a versé une contribution de contrepartie.



## BILAN DE L'ANNÉE

Par l'entremise de **Profit Learn PEI**, la division des services à la clientèle a porté à 72 le nombre de cours de formation pour les petites entreprises offerts à l'Î.-P.-É., attirant 807 participants de petites entreprises.

La toute première **mission commerciale virtuelle** de la province a eu lieu au **Centre de technologie de l'Atlantique**. Les entreprises de l'Î.-P.-É. qui s'intéressaient à l'exportation au Mexique ont eu la chance d'explorer des possibilités d'affaires dans ce marché sans avoir à quitter la province.

Un nouveau répertoire de produits artisanaux intitulé **Prince Edward Island Craft, Art and Giftware Directory** a été produit afin d'encourager les gens à découvrir cette industrie dynamique en rendant visite aux artisans locaux talentueux. Plus de 150 studios, galeries, producteurs, boutiques, restaurants, guildes et organismes ont participé au répertoire de cette année.

Une contribution de 45 000 \$ (dont 10 000 \$ provenant de l'Expansion des affaires de l'Î.-P.-É.) a donné la chance à 30 petites et moyennes entreprises de participer au programme **Jump Start Your Business** conçu par Doug Hall, fondateur et président du célèbre « Eureka! Ranch » établi à Cincinnati en Ohio.

**Lotusmedia.ca**, une entreprise multimédia sur Internet, s'est installée au deuxième étage du Centre de technologie de l'Atlantique.

# PROGRAMS & SERVICES



ATLANTIC  
TECHNOLOGY  
CENTRE



PRINCE EDWARD ISLAND  
FOOD TECHNOLOGY CENTRE  
CENTRE DE TECHNOLOGIE ALIMENTAIRE  
LE CŒUR DU PRINCE-ÉDOUARD

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# BUSINESS SUPPORT PROGRAMS

## **Business Support Programs Application**

- Capital Acquisition Support Program
- Rental Incentive Program
- Equity Investors Incentive Program
- Marketing Support Program
- Quality Improvement Support Program
- Innovative Ideas Assessment Program
- Infrastructure Fund

## **Professional Service Assistance Program and application**

## **Web Presence Program and application**

## **Craft Development Program and application**

## **Craft Education Award Program and application**

## **Information Technology Planning Program (ITPP) and application**

## **Information Technology Implementation Program (ITIP) and application**

## **Film and Television Development Loan Program**

## **Film and Television Short Film Program**

## **Atlantic Canada Film Partners**

- Entrepreneur Loan Program
- Entrepreneur Loan Program Business Plan Section
- Winter Production Financing Program

## **Science and Innovation Division**

- Research and Development Initiative

## **Tax Credits**

- Innovation and Development Tax Credit
- Enriched Investment Tax Credit
- Share Purchase Tax Credit
- Specialized Labour Tax Credit

## **CAP Programs**

- The Community Access Program (CAP)
- CAP-YI (Youth Initiative)
- Innovation Fund
- SeniorsNet
- Youth of the Digital Age

## **Information Booklets**

- Prince Edward Island Getting Into Business
- Prince Edward Island New Business Checklist
- A Quick Guide to Preparing A Financing Proposal
- Top Ten Things You Must Know When Moving From Small To Large Scale Food Production
- Financial Forecast And Analysis In New Food Product Development And Commercial Launching At The PEI Food Technology Centre
- Easy and Effective Market Survey Design

## **Food Products Development Fund Program**

## **Corporate Services Programs**

- Loans
- Provincial Nominee Program
- Strategic Investments
- Loan Guarantees
- Entrepreneur Loan Program

**CONSOLIDATED FINANCIALS  
PRINCE EDWARD ISLAND BUSINESS  
DEVELOPMENT INC.**



**PRINCE EDWARD ISLAND  
BUSINESS DEVELOPMENT**

**Approved Financial Incentives to Establish or Expand  
Island Businesses and Developmental Organizations**

**In Fiscal Year Ended March 31, 2005**

<b><u>ECONOMIC SECTOR</u></b>	<b><u>No.</u></b>	<b><u>Amount</u></b>
Aerospace	12	1,250,541
Biotechnology & Pharmaceuticals	23	1,297,200
Craft & Giftware	60	371,822
Cultural Industries	3	2,066
Food - Agriculture	65	7,274,456
Food - Fisheries	33	837,953
General	54	2,563,658
Service	80	1,333,962
Film	26	1,918,221
Information Technology & Communications	117	1,555,582
Manufacturing	92	7,207,440
Tourism	29	335,747
	<b><u>594</u></b>	<b><u>25,948,628</u></b>

<b><u>TYPE OF ASSISTANCE</u></b>	<b><u>No.</u></b>	<b><u>Amount</u></b>
Enriched Investment Tax Credit	2	360,875
Rental Incentive	1	7,700
Web Presence	54	24,053
Equity Investors Incentive	2	16,115
Enterprise Development Fund/Enterprise Assistance	244	5,627,657
Food Product Development Fund	36	131,820
Professional Services	51	23,945
Specialized Labour Tax Credit	2	67,870
New Entrepreneur Loan*	10	316,000
Loan	26	9,455,000
Loan Guarantee	4	405,000
Loan Guarantee Renewal	8	5,797,000
Capital/Micro Business Assistance	19	163,351
Marketing & Trade Assistance	99	958,634
Infrastructure Fund	9	1,658,897
Winter Craft Production Financing	23	205,000
Tax Incentives - Slomon Park	2	689,871
Quality Improvement	2	19,840
	<b><u>594</u></b>	<b><u>25,948,628</u></b>

\* Repayable loans through participating financial institutions. Interest free for first year only.



**Prince Edward Island Business  
Development Inc.**

**Consolidated Financial Statements  
March 31, 2005**

# ARSENAULTBESTCAMERONELLIS

CHARTERED ACCOUNTANTS

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May 20, 2005

## Auditors' Report

### To the Minister of Development and Technology

We have audited the consolidated balance sheet of Prince Edward Island Business Development Inc. as at March 31, 2005 and the consolidated statements of revenues and expenditures, retained earnings and contributed surplus and cash flows for the year then ended. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using differential reporting options available to non-publicly accountable enterprises, as described in note 2 to the financial statements. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*ArsenaullBestCameronEllis*

Chartered Accountants

**Prince Edward Island Business Development Inc.**  
**Consolidated Balance Sheet**  
**As at March 31, 2005**

	2005 \$	2004 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term investments (note 3)	3,741,565	1,196,293
Accounts receivable (notes 4 and 20)	2,510,963	1,911,427
Accrued interest receivable (note 20)	98,610	283,215
Grant receivable - ACOA	446,131	1,472,250
Inventory (note 4)	55,695	136,846
Prepaid expenses	25,157	2,159
Deposits on equipment	-	197,626
Current portion of loans receivable	3,434,447	6,864,782
Current portion of net investment in leases	7,290	-
Deferred charges	-	3,582,473
	<b>10,319,860</b>	<b>15,647,071</b>
<b>Due from the Province of Prince Edward Island (note 5)</b>	<b>5,535,038</b>	<b>4,601,503</b>
<b>Loans receivable, less current portion (note 6)</b>	<b>32,702,139</b>	<b>20,497,842</b>
<b>Investment in non-marketable securities (note 7)</b>	<b>2,936,621</b>	<b>3,208,502</b>
<b>Property holdings (note 8)</b>	<b>10,241,514</b>	<b>11,356,492</b>
<b>Property and equipment (notes 9 and 20)</b>	<b>30,207,874</b>	<b>31,530,224</b>
<b>Funds held in trust (notes 3, 10 and 20)</b>	<b>2,525,964</b>	<b>3,009,257</b>
<b>Net investment in leases, less current portion (note 11)</b>	<b>570,030</b>	<b>1,007,320</b>
	<b>95,039,042</b>	<b>90,855,211</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 17 and 20)	11,721,353	20,284,509
Provision for payment of guarantees (note 17)	1,397,467	1,497,467
Deferred revenue	55,611	38,240
Deferred contributions	236,634	244,197
Progress billings in excess of work-in-progress	343,929	50,697
Short-term notes payable (note 12)	14,623,648	13,743,916
Current portion of notes payable and long-term debt	2,907,577	1,146,438
Current portion of obligation under capital lease	150,000	70,000
	<b>31,436,219</b>	<b>37,075,461</b>
<b>Funds held in trust (notes 10 and 20)</b>	<b>2,525,964</b>	<b>3,009,257</b>
<b>Notes payable and long-term debt, less current portion (note 13)</b>	<b>44,694,370</b>	<b>33,141,824</b>
<b>Obligation under capital lease, less current portion (note 14)</b>	<b>660,000</b>	<b>810,000</b>
<b>Deferred credits (notes 15 and 20)</b>	<b>13,945,893</b>	<b>15,200,084</b>
<b>Reserve for future expenditures (note 16)</b>	<b>163,613</b>	<b>-</b>
	<b>93,426,059</b>	<b>89,236,629</b>
<b>Contingent liabilities (note 17)</b>		
<b>Equity</b>		
<b>Contributed surplus (note 20 and 22)</b>	<b>1,560,295</b>	<b>1,560,295</b>
<b>Retained earnings</b>	<b>52,683</b>	<b>58,287</b>
	<b>1,612,983</b>	<b>1,618,582</b>
	<b>95,039,042</b>	<b>90,855,211</b>

Approved by the Corporation

Minister

**Prince Edward Island Business Development Inc.**  
**Consolidated Statement of Retained Earnings and Contributed Surplus**  
**For the year ended March 31, 2005**

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	2005 \$	2004 \$
Retained earnings (deficit) – Beginning of year	58,287	(165,695)
Excess expenditures for the year	<u>(5,599)</u>	<u>(1,971)</u>
	52,688	(167,666)
Transfer of contributed surplus (note 22)	<u>-</u>	<u>225,953</u>
Retained earnings – End of year	<u>52,688</u>	<u>58,287</u>
Contributed surplus – Beginning of year	1,560,295	1,786,248
Transfer to retained earnings (note 22)	<u>-</u>	<u>(225,953)</u>
Contributed surplus – End of year	<u>1,560,295</u>	<u>1,560,295</u>

**Prince Edward Island Business Development Inc.****Consolidated Statement of Revenues and Expenditures****For the year ended March 31, 2005**

	2005 \$	2004 \$
<b>Revenue (note 20)</b>		
Grant - Province of P.E.I.	21,849,500	27,927,100
Investment operations	59,874	104,131
Interest on loans receivable	2,397,409	496,188
Guarantee fees	129,007	326,150
Interest from deposits	20,227	20,643
Property operations	3,628,678	3,412,587
Miscellaneous	21,405	21,661
Project revenues	1,002,749	810,810
Retail operations (Schedule)	159,293	206,491
	<u>29,268,142</u>	<u>33,325,761</u>
<b>Expenditures (note 20)</b>		
Operating	7,148,202	7,608,425
Property operations	4,450,672	4,670,470
Development programs	12,585,854	16,847,483
Allowance for possible credit losses and guarantee payments (note 5)	1,250,000	1,578,987
Investment operations	1,216,602	1,096,091
Project costs	338,685	318,593
Retail operations (Schedule)	109,348	125,651
Writedown of assets under capital lease	540,000	-
Amortization - property holdings, property and equipment and deferred costs	3,525,027	2,676,855
Amortization - deferred credits	(1,890,649)	(1,594,823)
	<u>29,273,741</u>	<u>33,327,732</u>
<b>Excess expenditures for the year</b>	<u>(5,599)</u>	<u>(1,971)</u>



**Prince Edward Island Business Development Inc.**  
**Consolidated Statement of Cash Flows**  
**For the year ended March 31, 2005**

	2005 \$	2004 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess expenditures for the year	(5,599)	(1,971)
Items not affecting cash		
Amortization - deferred credits	(1,890,649)	(1,594,823)
Amortization - property holdings, property and equipment and deferred costs	3,525,027	2,676,855
Discount to net present value of net investment in lease	430,000	-
Writedown of assets under capital lease	540,000	-
Increase in due from the Province of Prince Edward Island - allowance for possible losses	(1,075,000)	(1,358,977)
	1,523,779	(278,916)
<b>Net change in non-cash working capital items</b>		
Decrease (increase) in accounts receivable - net	(599,536)	26,428
Decrease (increase) in accrued interest receivable	184,605	(258,949)
Decrease (increase) in grant receivable - ACYA	1,026,119	(1,472,250)
Increase in deposits on equipment	197,626	(197,626)
Decrease (increase) in deferred charges	3,582,473	(3,582,473)
Increase (decrease) in deferred contributions	(7,563)	194,693
Decrease (increase) in prepaid expenses	(22,998)	10,592
Decrease (increase) in inventory	81,151	(38,767)
Decrease in provision for payment of guarantees	(100,000)	(67,043)
Increase (decrease) in accounts payable and accrued liabilities	(8,563,156)	3,612,310
Increase in deferred revenue	17,371	7,921
Increase in progress billings in excess of work in progress	293,232	(8,856)
	(2,386,897)	(1,995,224)
<b>Financing activities</b>		
Decrease (increase) in due from the Province of P.E.I. - current operations	141,463	(2,716,735)
Increase in deferred credits - net	636,458	1,998,744
Net change in funds held in trust	(483,293)	(3,712,697)
Increase in short-term notes payable	879,732	13,743,916
Increase in notes payable and long-term debt (net)	13,313,685	12,913,727
Decrease in obligation under capital lease	(70,000)	(20,000)
Increase in reserve for future expenditures	163,613	-
	14,581,658	22,206,955
<b>Investing activities</b>		
Purchase of property and equipment - net	(1,938,866)	(1,917,970)
Additions to and purchases of property holdings	(93,133)	(219,575)
Reductions of and proceeds on disposal of property holdings	404,300	212,161
Decrease in investment in non-marketable securities	268,881	494,666
Increase in loans receivable (net)	(8,773,962)	(23,916,903)
	(10,132,780)	(25,347,621)
<b>Increase (decrease) in cash and short-term investments and funds held in trust</b>	2,061,981	(5,135,890)
<b>Cash and short-term investments and funds held in trust - Beginning of year</b>	4,205,550	9,341,440
<b>Cash and short-term investments and funds held in trust - End of year</b>	6,267,531	4,205,550
<b>Supplementary disclosure</b>		
Interest and dividends received	2,660,094	3,171,181
Interest paid	2,772,781	2,222,830

# Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2005

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## 1. Status of the Corporation

Prince Edward Island Business Development Inc. is a Crown corporation incorporated under the Prince Edward Island Business Development Inc. Act (formerly Enterprise P.E.I. Act). Its financial results are included in the public accounts of the Province of Prince Edward Island.

## 2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

### a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiaries, F.T.C. Enterprises Limited, Environmental Industrial Services Inc., Corporate Services Ltd., Gateway Village Development Inc., Solanum - P.E.I., A Canadian Potato Systems Company Inc., Technology Prince Edward Island Inc. and 100417 P.E.I. Inc. all having March 31, 2005 year ends.

### b) Differential reporting options

The company, with the unanimous consent of its shareholder, the Province of Prince Edward Island, has elected to prepare its statements in accordance with Canadian generally accepted accounting principles using the differential reporting options available to non-publicly accountable enterprises described below:

#### i) Investment subject to significant influence

The company has elected to use the cost method to account for its investment in Slemon Park Corporation. Slemon Park Corporation is subject to significant influence and would otherwise be accounted for using the equity method of accounting. Details of the investment is as follows:

	2005 \$	2004 \$
56,000 common shares of Slemon Park Corporation	1	1

These shares are held by 100417 P.E.I. Inc. and represent 56% of the issued common shares of the company. The purpose of 100417 P.E.I. Inc. is to hold these shares and distribute them over time to anchor tenants in accordance with the original objectives of Slemon Park Corporation.

In addition, the company has applied the following significant accounting policies without reference to differential reporting.

### c) Inventory

Inventory is valued at the lower of cost, determined on the first-in, first-out basis, and market, which is defined as net realizable value.

## **Prince Edward Island Business Development Inc.**

### **Notes to Consolidated Financial Statements**

**March 31, 2005**

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**d) Due from the Province of Prince Edward Island**

**i) Current operations**

Operating grant – Province of Prince Edward Island is the balance due (to) from the Province for grants (in excess of) or less than expenditures in the current year.

Excess revenue for the 2003 year for the parent company, Prince Edward Island Business Development Inc., was recorded as a reduction in deficit and was not required to be returned to the province as a component of current operations.

**ii) Allowance for possible credit losses**

The annual funded allowance for possible credit losses (expense or recovery) is recorded as an amount "Due from the Province of Prince Edward Island – Allowance for Possible Credit Losses". The "Due from the Province of Prince Edward Island – Allowance for Possible Credit Losses" is reduced when a write-off is recognized by both Prince Edward Island Business Development Inc. and the Province, with notes payable reduced correspondingly. The allowance for possible losses is also reduced by any payment received from the Province on the allowance for possible losses for guarantees. During the year, Prince Edward Island Business Development Inc. recorded an allowance and corresponding expense of \$1,250,000 (2004 – \$1,578,987).

**e) Loans receivable**

Working capital demand loans and craft loans are recorded at cost less an allowance for possible losses. These loans are due on demand and bear interest at rates ranging from 4% to 9.5% and are repayable within the next fiscal year.

Long-term loans are recorded at cost less an allowance for possible losses. These loans are issued at long-term interest rates and are repayable over various terms to a maximum of 12 years with interest rates ranging from 4% to 8.5%.

An impaired loan is where, in management's opinion, there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest.

**f) Allowance for possible losses**

An allowance for possible losses is maintained which is considered adequate to absorb all credit and investment related losses and off-balance sheet items including guarantees. The allowance is deducted from the applicable asset on the balance sheet, except for guarantees. The allowance for guarantees is included in accounts payable for Entrepreneurial Loan Program guarantees and as "Provision for payment of guarantees" on the balance sheet for the remaining guarantee allowance.

The allowance consists of specific and general provisions.

## **Prince Edward Island Business Development Inc.**

### **Notes to Consolidated Financial Statements**

**March 31, 2005**

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Specific provisions include the accumulated allowances for losses on particular assets required to reduce the book values to estimated realizable amounts. Specific provisions total \$2,603,395 (2004 – \$2,594,385). The accumulated allowances for losses on specific off-balance sheet items at March 31, 2005 total \$1,565,551 (2004 – \$1,665,551). Of this total, \$168,084 (2004 – \$168,084) is included in the accounts payable and accrued liabilities, and \$1,397,467 (2004 – \$1,497,467) is recorded as provision for payment of guarantees.

The company does not accrue interest on a loan receivable once a specific provision has been recorded against the loan.

The corporation reviews its investments and advances, leased property and property holdings and guarantees on an ongoing basis to assess whether an allowance or write-off is required.

A variety of methods are used to determine the amount expected to be recovered from investments and advances to private companies and property holdings, including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken.

A general provision of \$1,557,625 (2004 – \$324,788) includes accumulated allowances for losses which are prudential in nature and cannot be specifically identified. The general provision is based on past performance of similar assets, the level of the specific provision, management's judgement, the economic climate and the maturity and financial strength of the investee.

#### **g) Investment in non-marketable securities**

Investment in and advances to private companies, except for three preferred share investments, not considered to be concessionary are recorded at one-half of cost. An expense of 50% is charged to development programs. The cost is reduced by any applicable allowance for possible losses. Any recovery exceeding the balance in share investment is taken into revenue when received.

The three investments in preferred shares of private companies that are not being carried at one-half of their cost are being carried at the lower of cost and estimated realizable value.

Investments under the Venture Capital Equity Program are recorded at cost less an allowance for possible losses.

Advances – Venture Capital Debt Program are recorded at cost, less an allowance for possible losses.

Equity investments are reviewed annually for potential declines in value and are written down or an allowance is recorded if a decline in value is considered evident. Write downs are included in development programs expense.

It is not practical within constraints of timeliness and cost to determine the fair value of the investment in private companies as these investments are in closely held private companies that have no organized financial market. The estimated realizable value of these investments and advances is based on expected future cash flows.

## **Prince Edward Island Business Development Inc.**

### **Notes to Consolidated Financial Statements**

**March 31, 2005**

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#### **h) Property holdings, property and equipment and amortization**

##### **i) Property holdings**

Property holdings are reported at the lower of cost, net of government grants, and estimated realizable value.

Office furniture and equipment and computer equipment are fully expensed in the year of acquisition, except for F.T.C. Enterprises Limited and Atlantic Technology Centre Inc., a subsidiary of Technology Prince Edward Island Inc., which record these items as a capital asset at cost less accumulated amortization. The amount expensed during the year ended March 31, 2005 was \$59,695 (2004 - \$177,265). Land improvements and buildings in Prince Edward Island Business Development Inc. are amortized using the straight-line method at the rates of 10% and 4% respectively. Land and improvements and equipment included in industrial sites are amortized using the straight-line method at the annual rates of 8% and 20% respectively. Buildings held for resale and industrial malls are amortized using the straight-line method at the annual rates of 7% and 4%. Proceeds on the sale of industrial sites are recorded as a reduction in the carrying value of the asset. The test cells are amortized using the straight-line method at the annual rate of 5%. Signage is amortized using the straight-line method at the annual rate of 20%.

##### **ii) Amortization**

Property and equipment are amortized using the straight-line method at annual rates ranging from 5% to 100% as indicated in note 9.

A full year's amortization is recorded in the year of acquisition.

##### **iii) Estimated realizable value**

Estimated realizable value for industrial sites is the expected proceeds on resale and for industrial malls it is the property tax assessed value.

Estimated realizable value for land, buildings and equipment held for resale under lease purchase options is its property tax assessed value.

Estimated realizable value for the test cell is the net cost to construct the asset supported by a payment under a long-term lease agreement.

The reduction from cost to estimated realizable value is recorded as a provision for possible losses.



## Prince Edward Island Business Development Inc.

### Notes to Consolidated Financial Statements

March 31, 2005

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i) **Net investment in leases**

The company's subsidiaries accumulate costs of constructing assets, that are to be classified as capital leases, as assets under capital lease, and the related grants as deferred credits until the lease term begins. When the lease term begins, the assets under capital lease and deferred credits will be removed from the balance sheet and a net investment in leases recorded. The net investment in leases represents the net present value of the minimum lease payments receivable over the term of the lease plus the purchase option.

j) **Programs assistance payable**

Provincially funded non-cost shared program assistance is expensed and included in accrued liabilities when approved and accepted. Federal-Provincial cost shared programs are expensed when the funds are disbursed. Infrastructure assistance requiring future performance criteria is expensed when the funds are disbursed. Certain infrastructure assistance approved and not disbursed at year end is recorded as deferred charges.

The P.E.I. Food Products Development Fund is a provincially-funded research assistance program administered by F.T.C. Enterprises Limited. Grants under the program are included in income and a corresponding expense and accrued liability is recorded when the grant is received. The accrued liability is reduced when contributions are made to projects. There is \$442,430 (2004 - \$354,249) in unexpended assistance included in accrued liabilities at year-end. The company has committed funds to qualifying projects in the amount of \$183,344 for the 2006 fiscal year.

ki) **Federal programs and grants**

Federal programs

Prince Edward Island Business Development Inc. administers programs on behalf of the Federal Government. Any difference between federal funding received and program expenditures is recorded as an accounts receivable or accounts payable. During the year, Prince Edward Island Business Development Inc. disbursed \$433,105 (2004 - \$495,437) under the programs. Included in accounts receivable is \$52,258 (2004 - \$97,986) due from the federal government relating to the 2005 programs.

Included in the development program expenditures is \$277,776 (2004 - \$293,911) in costs related to salary costs of Prince Edward Island Business Development Inc. employees who deliver and administer these programs. This cost recovery has been recorded as a reduction in Prince Edward Island Business Development Inc.'s operating expenditures.

Federal grants

Federal government grants received relating to operating or program expenditures are recorded as a reduction in the related expenditures in the period received. During the year, the company has recorded \$767,057 (2004 - \$448,392) as a reduction of development program expenditures for federal grants received.

## **Prince Edward Island Business Development Inc.**

### **Notes to Consolidated Financial Statements**

**March 31, 2005**

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**l) Post retirement benefits**

The company provides retirement benefits to certain employees provided they have at least 10 years of continuous service, reached a minimum age of 55 years and contributed to the Superannuation Fund for at least 5 years. The benefit is based on one week's pay per year of service to a maximum of 26 weeks.

The accrual for post retirement benefits at March 31, 2005 is \$145,472 (2004 - \$145,766).

**m) Pension liability**

Most of the corporation's staff are members of the Province of Prince Edward Island pension plan. Pension obligations are liabilities of the Province and not the corporation and no liability for these costs has been accrued by the corporation.

**n) Deferred credits**

Prince Edward Island Business Development Inc. subsidiaries have adopted the policy that contributions received towards the acquisition of property and equipment will be recorded as deferred credits and amortized to earnings on the same basis as the related property and equipment are amortized. Contributions received and not spent on property and equipment at year-end are recorded as deferred contributions.

**o) Revenue recognition**

Prince Edward Island Business Development Inc. subsidiaries follow the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's revenue based on the expenditures incurred and work completed on each contract in progress as at the balance sheet date. Unearned revenue is recorded as deferred revenue.

Work in progress in excess of progress billings is recorded at year end to appropriately recognize revenue under the percentage-of-completion basis of accounting when work in progress is in excess of actual billings generated. When progress billings are in excess of the related work in progress at year end the excess is recorded as progress billings in excess of work in progress.

Revenue from product royalties is recorded as received.

**p) Film and new media investments**

Investments made under the film and new media equity investments program are recorded as an expense under program expenditures when approved and accepted by the client. Revenue received as a recovery of those investments based on a percentage of income or under royalty agreements is recorded as revenue in the period received.

**q) Interest expense**

Interest paid by Prince Edward Island Business Development Inc. and its subsidiaries are included in the expenditure category to which it relates. Included in expenses is interest expense for 2005 as follows:

## Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2005

	2005 \$	2004 \$
Interest on short-term borrowings	336,011	81,303
Interest on long-term debt	2,334,678	2,306,499
	<u>2,670,689</u>	<u>2,387,802</u>

r) **Management estimates**

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period.

s) **Estimated realizable value of financial instruments**

Estimated realizable value (fair value) is subjective in nature requiring a variety of valuation techniques and assumptions. Some of the company's financial instruments, specifically notes receivable, investment in subsidiaries and net investment in leases, are not exchangeable and it is difficult, and often not practical, to determine their estimated realizable value. Where it is possible to estimate realizable value, the company assumes that it will not sell the assets or the liabilities, taking into account only changes in credit risk as credit risk is the main cause of change in the estimated realizable value of the company's financial instruments. Credit risk is defined as the risk that the note holder will fail to discharge an obligation in whole or in part resulting in a financial loss to this company.

3. **Market value of investments**

Cash and short-term investments and funds held in trust of \$6,267,531 (2004 – \$4,205,550) consist of portfolio investments and cash having a quoted market value of \$6,274,176 (2004 – \$4,305,059). The majority of marketable securities have a fixed value and it is expected that most securities will be held until they mature.

4. **Accounts receivable and inventory**

The accounts receivable have been reduced by an allowance for possible losses of \$29,742 (2004 – \$27,977).

Inventory has been reduced by an allowance for possible losses of nil (2004 – \$56,308).

# Prince Edward Island Business Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2005

### 5. Due from the Province of Prince Edward Island

	2005 \$	2004 \$
<b>Current operations</b>		
Operating grant - Province of Prince Edward Island	280,600	422,065
<b>Allowance for possible losses</b>		
Balance - beginning of year	4,179,438	2,820,461
Current year's allowance for possible credit losses expense	1,250,000	1,578,987
Payment on provision for possible losses	(175,000)	(220,010)
	5,254,438	4,179,438
Balance - end of year	5,535,038	4,601,503

### 6. Loans receivable

	2005				2004	
	Total \$	Impaired Loans included in total \$	Allowance for possible losses General \$	Allowance for possible losses Specific \$	Net \$	Net \$
<b>Working capital demand and craft loans</b>	2,884,297	1,460,770	22,276	1,013,395	1,848,626	6,721,286
<b>Long-term loans</b>						
Manufacturing and processing	34,087,290	768,700	1,000,000	627,525	32,459,765	18,160,986
Tourism	45,000	45,000	-	25,000	20,000	240,000
Small business	2,306,175	1,975,000	250,000	395,000	1,661,175	2,047,297
Other	133,520	-	-	-	133,520	173,373
Technology	13,500	-	-	-	13,500	19,682
	36,585,485	2,788,700	1,250,000	1,047,525	34,287,960	20,641,338
<b>Total Loans Receivable</b>	39,469,782	4,249,470	1,272,276	2,060,920	36,136,386	27,362,624
<b>Less: loans due within the next fiscal year</b>	4,806,792	2,013,975	22,276	1,350,069	3,434,447	6,864,782
	34,662,990	2,235,495	1,250,000	710,851	32,702,139	20,497,842

Included in working capital loans is a demand note receivable of nil (2004 - \$5,500,000) due from Prince Edward Island Economic Development Fund (No. IV) Inc., a subsidiary of a provincial Crown corporation.

## Prince Edward Island Business Development Inc.

### Notes to Consolidated Financial Statements

March 31, 2005

#### 7. Investment in non-marketable securities

	2005 \$	2004 \$
<b>Investment in private companies</b>		
Small Business and Venture Capital Equity Program investments	495,189	524,071
Less: Allowance for possible losses	255,000	255,000
	240,189	269,071
<b>Investment in preferred shares of private corporations</b>		
Net royalties receivable from private corporation	2,664,813	2,904,813
	31,619	31,618
	2,936,621	3,205,502
<b>Advances – Venture Capital Debt Program</b>		
Advances to private companies – bearing interest at variable rates, repayable on performance	268,775	269,980
Less: Allowance for possible losses	268,775	269,980
	-	-
	2,936,621	3,205,502

Of the preferred shares in private corporations, \$50,000 are to be redeemed by the issuer at the rate of \$10,000 per year, with the first redemption to occur in the 2008 year.

The net royalties receivable are due to F.T.C. Enterprises Limited and are non-interest bearing and are to be recoverable in the amount of 1.25% of gross income received by the purchaser for the direct sales of the products sold or 12.5% of net licensing fees received by the purchaser for licensing agreements, with one-half of these royalties being payable to the original patent holders by F.T.C. Enterprises Limited under an assignment. During the year, F.T.C. Enterprises Limited received net royalties of nil (2004 – nil).



# Prince Edward Island Business Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2005

### 8. Property holdings

	2005		2004	
	Cost \$	Accumulated amortization and grants \$	Net \$	Net \$
Land	981,500	-	981,500	981,500
Land improvements	44,766	17,907	26,859	31,336
Building	1,611,451	257,840	1,353,611	1,418,077
Land, buildings and equipment held for resale or under lease purchase option	2,503,143	1,041,790	1,461,353	1,663,801
Industrial sites	10,934,652	8,890,143	2,044,509	2,628,434
Industrial malls	2,806,046	2,806,046	-	-
Test cells	4,937,000	590,599	4,346,401	4,593,251
Signage	64,066	36,785	27,281	40,093
	23,882,624	13,641,110	10,241,514	11,356,492

Included in land, buildings and equipment held for resale or under lease purchase options is land of \$901,086 (2004 - \$991,382).

Included in industrial sites is land of \$314,910 (2004 - \$624,210).

# Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2005

## 9. Property and equipment

			2005	2004
	Amortization rate %	Cost \$	Accumulated amortization \$	Net \$
F.T.C. Enterprises Limited				
Buildings	5 - 25 SL	3,033,192	2,322,583	1,710,609
Building under construction		-	-	941,446
Pilot plant and laboratory equipment	10 - 25 SL	3,722,524	2,132,570	1,589,954
Computer and audio visual equipment	33 1/3 SL	492,812	465,988	26,824
Office furniture and equipment	20 SL	171,779	169,089	2,690
		<u>8,420,307</u>	<u>5,090,230</u>	<u>3,330,077</u>
				<u>2,550,423</u>
Gateway Village Development Inc.				
Land		1	-	1
Building - Phase I	5 SL	3,095,313	1,212,331	1,882,982
Phase II	5 SL	1,656,309	579,708	1,076,601
Land improvements - Phase I	10 SL	816,743	639,783	176,960
- Phase II	10 SL	357,244	249,458	107,786
Interpretative Centre	20 SL	1,078,080	1,078,080	-
Retail fixtures - Phase I	20 SL	77,466	77,466	-
- Phase II	20 SL	95,970	95,970	-
Signage	20 SL	12,798	12,798	-
		<u>7,189,924</u>	<u>3,945,594</u>	<u>3,244,330</u>
				<u>3,509,310</u>
Environmental Industrial Services Inc.				
Bloomfield Mall	10 SL	142,328	35,582	106,746
Land improvements	4 SL	1,823,975	182,398	1,641,577
Building	3.33 SL	293,493	22,323	271,170
Waste treatment facility	33 1/3 SL	25,350	7,409	17,941
Truck		-	-	-
		<u>2,285,146</u>	<u>247,712</u>	<u>2,037,434</u>
				<u>2,111,988</u>
Property for development - land		929,085	-	929,085
Soft costs		86,307	-	86,307
		<u>3,300,538</u>	<u>247,712</u>	<u>3,052,826</u>
				<u>3,127,380</u>
Technology Prince Edward Island Inc.				
Property and equipment				
Land		2,391,916	-	2,391,916
Land improvements	10 SL	67,000	16,746	50,254
Building	2.5 SL	18,872,238	1,174,614	17,697,624
Furniture and fixtures	20 SL	313,273	156,112	157,161
Computer hardware	33 1/3 SL	1,474,155	1,190,469	283,686
Computer software	100 SL	61,600	61,600	-
		<u>23,180,182</u>	<u>2,599,541</u>	<u>20,580,641</u>
				<u>21,533,111</u>
Asset under capital lease				
Interactive theatre	20 SL	-	-	-
		<u>23,180,182</u>	<u>2,599,541</u>	<u>20,580,641</u>
				<u>22,253,111</u>
SL Straight Line		<u>42,090,951</u>	<u>11,883,077</u>	<u>30,207,874</u>
				<u>31,530,224</u>

## Prince Edward Island Business Development Inc.

### Notes to Consolidated Financial Statements

March 31, 2005

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#### 10. Funds held in trust

Under the terms of an agreement between Corporate Services Ltd., Prince Edward Island Government Economic Development Fund (No. IV) Inc., (Island Fund IV), and Prince Edward Island Government Economic Development Fund (No. V) Inc., (Island Fund V), Corporate Services Ltd. is to act as the Escrow Agent for investors of a \$30,000,000 venture capital fund offering for each of the funds.

Corporate Services Ltd. receives the subscription forms from potential investors and holds the funds in trust until the commencement date. The commencement date is to be established within 100 days of receipt of twelve subscriptions. On the commencement date, the Escrow Agent shall:

- Advance to Island Fund IV or Island Fund V
  - 70% of subscription proceeds to be reinvested; and
  - 10% of subscription proceeds to be used to cover offering and operating costs;

Interest earned on the account while the funds are in escrow is the property of the specific fund.

- Establish a repayment account to retain on deposit the remaining 20% of the subscription proceeds to be invested in liquid, low-risk investment account, for the purpose of refunding rejected investors. Interest earned on the repayment account accrue to the benefit of the specific project, Island Investment Development Inc., or Island Fund IV or V as applicable, and not Corporate Services Ltd.

Funds held in trust consist of the following

	2005 \$	2004 \$
Funds held in trust – principal	29,521	28,924
Repayment accounts	2,496,445	2,980,333
	<u>2,525,966</u>	<u>3,009,257</u>

#### 11. Net investment in leases

The net investment in leases represents the minimum lease payments receivable over the term of the lease plus purchase options receivable recorded at net present value. The net investment in leases consists of the following:

##### Environmental Industrial Services Inc.

Environmental Industrial Services Inc. has entered into agreements to lease three properties on terms that require these leases to be accounted for as capital leases. In accounting for the capital leases, the property and equipment and related deferred credits have been removed and the lease payments receivable recorded as net investment in leases. The net investment in leases consists of the following:

## Prince Edward Island Business Development Inc.

### Notes to Consolidated Financial Statements

March 31, 2005

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- McCain Foods Limited – 10-year lease expiring December 2010, with the lessee paying all operating costs, an annual lease payment of nil and a purchase option of \$20.
- Cavendish Farms – 8-year lease expiring December 2011, with the lessee paying all operating costs, an annual lease payment of nil and a purchase option of \$10.

Both leases are renewable for an additional 10 years at the expiration of the original lease term at the option of the lessee.

- Small Fry Snack Foods Inc. – 9-year lease term expiring December 2005, with the lessee paying all operating costs, an annual lease payment of nil and a purchase option of \$7,260.

#### Prince Edward Island Business Development Inc.

The net investment in lease represents the purchase option receivable from the lessee due July 1, 2015. The net investment in lease is recorded at net present value of the payments using a discount rate of 5.5%, calculated as follows:

	\$
Total of lease payments to be received	1,000,030
Less: Discount to net present value of 5.5%	<u>(430,000)</u>
Net present value of net investment in lease	<u>570,030</u>

#### 12. Short-term notes payable

	2005	2004
	\$	\$
Promissory notes payable to the Province of Prince Edward Island, with interest rates ranging from 2.24% to 4.8%	<u>14,623,648</u>	<u>13,743,916</u>

The promissory notes are due on demand, are renewed every thirty days with the lender and are unsecured.

**Prince Edward Island Business Development Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2005**

**13. Notes payable and long-term debt**

	2005 \$	2004 \$
5.84% note payable, repayable \$37,870 semi-annually including principal and interest, maturing March 31, 2013	478,606	524,383
4.4% note payable, repayable \$63,679 quarterly interest only, maturing December 31, 2008	5,789,000	5,789,000
6.60% note payable, repayable \$893,465 annually including principal and interest, maturing March 31, 2012	4,883,027	5,418,848
5.33% note payable, interest payments only commencing November 1, 2004 and payable until February 2010, principal payments commence February 1, 2010 with one payment of \$85,714 followed by 55 monthly principal payments of \$171,429 and three monthly principal payments of \$85,714 plus interest, maturing March 1, 2015	15,000,000	-
4% promissory note, due December 31, 2008 with interest to be paid quarterly and principal payments due each November 30 and December 31 starting in 2005 of \$1,000,000 and \$250,000 respectively, with \$3,211,000 due November 30, 2008 and the balance of \$2,250,000 due at maturity	7,186,000	6,211,000
4% promissory note, due April 1, 2008, repayable in annual principal instalments of \$288,375 commencing April 1, 2005	865,125	-
4% promissory note, repaid during the year	-	2,200,000
6.62% Bank of Nova Scotia mortgage, repayable \$40,333 monthly plus interest, maturing August 30, 2017	10,849,667	11,333,667
5.65% Bank of Nova Scotia loan, repayable \$18,106 monthly including principal and interest, maturing March 20, 2007	2,370,522	2,451,364
ACOA non-interest bearing loan due February 1, 2006, repayable in annual instalments of \$180,000	180,000	360,000
	47,601,947	34,288,262
Less: Current portion	2,907,577	1,146,438
	44,694,370	33,141,824

The 5.84% note payable, 4.4% note payable, 6.60% note payable and the 5.33% note payable are issued to the Province of Prince Edward Island.

The three 4% promissory notes are payable to Prince Edward Island Century Fund 2000 Inc., a subsidiary of a provincial Crown corporation.

The notes payable and long-term debt are unsecured, except for the 6.62% Bank of Nova Scotia mortgage, which is secured by a full guarantee provided by the Province of Prince Edward Island.



## Prince Edward Island Business Development Inc.

### Notes to Consolidated Financial Statements

March 31, 2005

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The aggregate amount of principal payments required in each of the next five years to meet retirement provisions is as follows:

	\$
Year ending March 31, 2006	2,907,577
2007	2,773,107
2008	2,731,584
2009	10,559,823
2010	1,732,634

#### 14. Obligation under capital lease

##### Atlantic Technology Centre Inc.

The following is an analysis of the future minimum lease payments on a capital lease. The lease expires October 2007.

	2005 \$	2004 \$
4% lease, payable in annual instalments \$105,200 in 2004, \$182,400 in 2005, \$326,400 in 2006 and \$374,400 in 2007, payable on October 31 of each year	883,200	988,400
Less: amount representing interest	73,200	108,400
Balance of obligation	810,000	880,000
Less: current portion	150,000	70,000
	660,000	810,000

The total annual principal payments over the remaining term of the lease are as follows:

	\$
Year ending March 31, 2006	150,000
2007	300,000
2008	360,000
	810,000

**Prince Edward Island Business Development Inc.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2005**

**15. Deferred credits**

	2005		2004	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
<b>F.T.C. Enterprises Limited</b>				
Buildings	2,914,204	1,939,987	974,217	1,588,677
Pilot plant and laboratory equipment	3,077,307	1,567,089	1,510,218	798,696
Computer and audio visual equipment	130,868	89,069	41,799	39,792
Office furniture and equipment	67,886	67,570	316	5,408
	<u>6,190,265</u>	<u>3,663,715</u>	<u>2,526,550</u>	<u>2,432,573</u>
<b>Gateway Village Development Inc.</b>				
Building - Phase I	3,095,313	1,212,331	1,882,982	2,037,745
Land improvements	816,743	639,783	176,960	258,637
Interpretative Centre	1,072,001	1,072,001	-	-
Retail fixtures	73,735	73,735	-	-
	<u>5,057,792</u>	<u>2,997,850</u>	<u>2,059,942</u>	<u>2,296,382</u>
<b>Environmental Industrial Services Inc.</b>				
Bloomfield Mall	879,812	109,326	770,486	814,214
<b>Technology Prince Edward Island Inc.</b>				
Building	6,711,000	414,444	6,296,556	6,464,628
Computer hardware	1,424,927	1,174,080	250,847	725,351
Computer software	50,800	50,800	-	-
Furniture and fixtures	313,273	156,111	157,162	219,814
	<u>8,500,000</u>	<u>1,795,435</u>	<u>6,704,865</u>	<u>7,409,793</u>
<b>Prince Edward Island Business Development Inc.</b>				
Industrial sites	7,836,092	5,952,042	1,884,050	2,247,122
	<u>28,463,961</u>	<u>14,518,368</u>	<u>13,945,893</u>	<u>15,200,084</u>

**16. Reserve for future expenditure**

During the year, Environmental Industrial Services Inc. took over certain liabilities from the Department of Environment, Energy and Forestry. The Corporation received an amount of \$173,471 in capital replacement funds which have been recorded as a reserve for future expenditures.

During the year, \$9,857 was expended from the reserve.

## Prince Edward Island Business Development Inc.

### Notes to Consolidated Financial Statements

March 31, 2005

#### 17. Contingent liabilities

- a) The corporation is contingently liable under loan guarantees at March 31 as follows:

	2005 \$	2004 \$
Loan guarantees	10,695,437	12,052,126
Provision for possible payment	1,397,467	1,497,467

The provision for possible payment is included in the overall allowance for possible losses.

The corporation is also contingently liable under entrepreneur loan program guarantees of \$1,326,618 (2004 – \$1,680,841) for which a provision for possible losses of \$168,084 (2004 – \$168,084) has been included in accounts payable and accrued liabilities.

Included in loan guarantees is \$495,000 for an equity investment and \$1,870,000 in guarantees for line of credit balances. Also included is \$8,330,437 in guarantees for term loans which have a carrying value of \$8,278,778 at March 31, 2005. The above guarantees have various expiry dates ranging from April 2005 to May 2023.

The guarantees are secured by various assets and proceeds from liquidation are expected to cover the remaining amount of the guarantees.

#### Related party amounts

Included in guarantees is a guarantee of a preferred share investment in the amount of \$200,000 (2004 – \$200,000) of a Crown corporation, P.E.I. Energy Corporation, and a guarantee of a preferred share investment in the amount of \$495,000 (2004 – \$495,000) provided to a Crown corporation, PEI Lending Agency.

- b) F.T.C. Enterprises Limited has guaranteed loans totalling \$25,000 of one of the private corporations in which it has invested.
- c) Prince Edward Island Business Development Inc. (the "company") has indemnified lease payments to a landlord on behalf of a private company (the "tenant"). In the case of default by the tenant, the maximum amount indemnified is \$108,333 per month, pursuant to the lease ending February 2025. The Company also has the option to acquire the premises from the landlord based on a predetermined calculation and have the lease assigned. Under this agreement, the option value at March 31, 2005 is \$12,633,353. If the Company opts to acquire the premises, the proceeds from the sale of the premises would be used to recover all or a portion of amounts paid under the guarantee; however, the value of the potential sale proceeds is not determinable at this time.

## Prince Edward Island Business Development Inc.

### Notes to Consolidated Financial Statements

March 31, 2005

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- d) The company, along with other parties, has been named in a claim by a private company seeking general and aggravated damages and special damages in the amount of \$11,187,345, plus other unspecified damages and costs. It is management's opinion that a liability, if any, is unlikely and undeterminable at this time and no provision has been made in the accounts for future possible losses related to this claim.
- e) A letter of claim has been filed against Prince Edward Island Business Development Inc. seeking unspecified damages. Management believes the claim is completely without foundation, and that the liability, if any, is unlikely at this time, and accordingly, no provision has been recorded in the accounts for future possible losses.
- f) Prince Edward Island Business Development Inc. has been named in action filed by a private company seeking unspecified damages. Management believes this claim is completely without foundation and that the liability resulting from this claim, if any, is unlikely at this time and, accordingly, no provision has been recorded in the accounts for future possible losses.

#### 18. Commitments

- a) F.T.C. Enterprises Limited has entered into a twenty-five year lease expiring November 2013 with the University of Prince Edward Island for the land upon which the corporation constructed its facilities. The lease cost is \$1 per year and is renewable for a further term of twenty-five years for the same annual consideration.
- b) The minimum annual lease payments required by Atlantic Technology Centre Inc. over the next three years under an operating lease for network management services and technological equipment expiring July 2007 are as follows:

	\$
Year ending March 31, 2006	120,000
2007	120,000
2008	40,000

- c) Loans approved by Prince Edward Island Business Development Inc. but not disbursed at March 31, 2005 total \$9,393,315.

## Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2005

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### 19. Operating agreements

Environmental Industrial Services Inc. has agreements with McCain Foods Limited, Irving Pulp & Paper Limited and Small Fry Snack Foods Inc. to operate wastewater treatment facilities to extend to December 2010, 2011 and 2005, respectively, and stipulate that the companies shall pay Environmental Industrial Services Inc. a user fee equal to the operating costs of the facilities excluding interest and amortization charges. The companies pay these operating costs directly and accordingly a user fee has not been charged by Environmental Industrial Services Inc.

Environmental Industrial Services Inc. is responsible for operating the Brudenell and Crowbush Water and Sewer Utilities on behalf of the Province of Prince Edward Island. Environmental Industrial Services Inc. pays the operating costs of the Utility and recovers these costs from the users of the utility on a pro-rata basis based on usage.

During the year, the company recovered \$7,976 (2004 - \$5,901) in costs from related parties, Tourism PEI and Golf Links Prince Edward Island Inc. Tourism PEI is a provincial Crown corporation and Golf Links Prince Edward Island Inc. is a subsidiary of Tourism PEI.

### 20. Related party transactions

#### Balance sheet

##### Accounts receivable

Included in accounts receivable is \$285,236 (2004 - \$249,431) due from the Province of Prince Edward Island and \$57,258 (2004 - \$85,201) due from related companies.

##### Accrued interest receivable

Included in accrued interest receivable is nil (2004 - \$13,675) due from a subsidiary of a provincial Crown corporation.

##### Funds held in trust

The funds held in trust are due to Island Investment Development Inc., a provincial Crown corporation.

##### Property and equipment

The Province of P.E.I. transferred land to Gateway Village Development Inc. in 1997. In accordance with the terms of the transfer, the exchange and carrying amounts of the land was established as \$1.

The Province of Prince Edward Island conveys land to the company periodically to be used for development purposes. The exchange and carrying amounts of land when transferred into the company is nil.

## **Prince Edward Island Business Development Inc.**

### **Notes to Consolidated Financial Statements**

**March 31, 2005**

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#### Accounts payable

Included in accounts payable and accrued liabilities is \$142,885 (2004 – \$21,077) payable to the Province of Prince Edward Island, and nil (2004 – \$84,306) due to related companies.

#### Deferred credits

During the year, Technology Prince Edward Island Inc. received, by way of grants from Prince Edward Island Business Development Inc., and paid by way of a grant to its wholly-owned subsidiary, Atlantic Technology Centre Inc., nil (2004 – \$500,000) from the Province of Prince Edward Island in special project funding for the acquisition of property and equipment. These grants have been recorded as deferred credits in the consolidated financial statements. These amounts have not been eliminated on consolidation.

During the year, Environmental Industrial Services Inc. received grants of nil (2004 – \$17,692) and F.T.C. Enterprises Limited received grants of \$486,500 (2004 – \$221,192) from the Province of Prince Edward Island through Prince Edward Island Business Development Inc. that have been accounted for as deferred credits and included in program expenditures for the year. These amounts have not been eliminated on consolidation.

#### Contributed surplus

Gateway Village Development Inc. and F.T.C. Enterprises Limited have received a cumulative total of \$1,786,248 in funds from the Province of Prince Edward Island through Prince Edward Island Business Development Inc. that have been accounted for as contributed surplus. This contribution has not been eliminated on consolidation.

#### **Statement of revenue and expenditures**

##### Revenue

Included in interest on loans receivable is \$530,692 (2004 – \$13,675) received from subsidiaries of a provincial Crown corporation.

##### Management fees

During the year, management fees of \$150,000 (2004 – \$150,000) were received from Island Investment Development Inc. and recorded as a reduction in operating expenditures.

##### Interest expense

Included in expenditures is \$1,391,433 (2004 – \$1,235,936) in interest paid to the Province of Prince Edward Island.

Included in expenditures is \$344,033 (2004 – \$126,287) in interest paid to a subsidiary of a provincial Crown corporation.



## Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2005

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### Other

The company provides office premises to Tourism PEI for nil consideration.

The company rents land for the annual amount of \$2,120 plus applicable taxes from Slemon Park Corporation under a fifty-year lease agreement, effective for the term September 28, 2001 to September 28, 2051.

The above transactions were recorded in the normal course of operations and measured on the same terms as transactions with unrelated parties.

### 21. Other

Effective December 13, 2004, Prince Edward Island Business Development Inc. entered into a general conveyance, assignment, and assumption of liabilities agreement with a subsidiary, Island Products Holding Inc. Under this agreement, Island Products Holding Inc. transferred all of its assets and the benefit of all contracts to Prince Edward Island Business Development Inc. Prince Edward Island Business Development Inc. agreed to assume and discharge all liabilities of Island Products Holding Inc., and to assume all expenses in connection with the proposed wind-up and dissolution of Island Products Holding Inc.

The net assets and liabilities transferred were as follows:

	\$
Accounts payable and accrued liabilities	947
Net earnings to December 13, 2004	<u>139,330</u>
Net assets transferred	<u>140,277</u>

The net assets transferred were recorded by Prince Edward Island Business Development Inc. as a reduction of the intercompany receivable from Island Products Holding Inc. in the amount of \$140,277 and the elimination of the investment in subsidiary in the amount of \$100.

### 22. Contributed surplus

During the 2004 year, the shareholders and directors of Gateway Village Development Inc. approved a transfer of \$225,953 from contributed surplus to offset the accumulated operations deficit of the company as at March 31, 2003.

### 23. Comparative figures

Certain comparative figures presented for the 2004 fiscal year have been restated to conform with the financial statement presentation adopted for the current year.

# Prince Edward Island Business Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2005

### 24. Interest rate risk

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, notes receivable at shown at contractual maturity but certain notes could prepay earlier.

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	Not interest rate sensitive \$	Total \$
<b>Assets</b>					
Cash and investments	3,741,565	-	-	-	3,741,565
Accounts receivable	-	-	-	2,510,965	2,510,965
Accrued interest receivable	-	-	-	98,610	98,610
Grant receivable - AC/OA	-	-	-	446,131	446,131
Inventory	-	-	-	55,695	55,695
Prepaid expenses	-	-	-	25,157	25,157
Notes receivable (net of allowance for losses)	4,806,792	23,589,655	11,073,335	(3,333,196)	36,136,586
Effective interest rate	6.85%	5.58%	5.97%		
Due from Province	-	-	-	5,535,038	5,535,038
Investment in non-marketable securities	130,000	520,000	610,000	1,676,621	2,936,621
Effective interest rate	4.00%	4.00%	4.00%		
Property holdings	-	-	-	10,241,514	10,241,514
Property and equipment	-	-	-	30,207,874	30,207,874
Funds held in trust	-	-	-	2,525,966	2,525,966
Net investment in leases	-	-	-	577,320	577,320
	<u>8,678,357</u>	<u>24,109,655</u>	<u>11,683,335</u>	<u>50,567,695</u>	<u>95,039,042</u>
<b>Liabilities and Surplus</b>					
Accounts payable and accrued liabilities	-	-	-	11,721,353	11,721,353
Provision for payment of guarantees	-	-	-	1,397,467	1,397,467
Deferred revenue	-	-	-	55,611	55,611
Deferred contributions	-	-	-	236,634	236,634
Progress billing in excess of work-in-progress	-	-	-	343,929	343,929
Notes payable	17,531,221	28,412,828	16,281,546	-	62,225,595
Effective interest rate	3.05%	5.46%	5.46%		
Obligation under capital lease	150,000	660,000	-	-	810,000
Effective interest rate	4.00%	4.00%			
Funds held in trust	-	-	-	2,525,964	2,525,964
Deferred credits	-	-	-	13,945,893	13,945,893
Reserve for future expenditures	-	-	-	163,613	163,613
Contributed surplus	-	-	-	1,560,295	1,560,295
Retained earnings	-	-	-	52,688	52,688
	<u>17,681,221</u>	<u>29,072,828</u>	<u>16,281,546</u>	<u>32,003,447</u>	<u>95,039,042</u>
Total Gap	<u>(9,002,864)</u>	<u>(4,963,173)</u>	<u>(4,598,211)</u>	<u>18,564,248</u>	<u>-</u>

Subsequent to year end, \$4,073,043 of short-term debt was refinanced to terms over 1 to 5 years at a rate of 4%.

**Prince Edward Island Business Development Inc.****Schedule of Retail Operations****For the year ended March 31, 2005****Schedule**

	2005 \$	2004 \$
<b>Revenue</b>		
Island Store	336,634	420,072
Consignment sales - net	1,133	5,921
	<u>337,767</u>	<u>425,993</u>
<b>Cost of goods sold</b>		
Island Store	178,474	219,502
	<u>159,293</u>	<u>206,491</u>
<b>Gross margin</b>		
<b>Expenditures</b>		
Salaries and benefits	55,037	60,924
Occupancy charge	33,663	41,967
Bank charges and interest	4,719	5,455
Travel and training	1,000	104
Packaging	2,832	6,418
Advertising and promotion	5,856	3,954
Electricity	2,511	2,796
Telecommunications	2,145	1,882
Administration	1,200	1,484
Maintenance and cleaning	664	1,406
Product development	160	-
Exchange gain	(439)	(739)
	<u>109,348</u>	<u>125,651</u>